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JPRS-EER-91-006

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BULGARIA

Slovomir Tsankov, ERA-3 Leader, Interviewed
91BA0100A Sofia DUMA in Bulgarian 2 Nov 90 p 4

[Interview with Slovomir Tsankov, leader of the ERA-3 right-wing-centrist alliance, by Mila Manova; place and date not given: "ERA-3' Has Some 120,000 Supporters"]

[Text] The ERA-3 [Union of Democratic Parties and Movements—ERA-3], the political color of which is defined somewhat conventionally by its leader, Slovomir Tsankov, has already caused a great deal of stir. It would make no sense to ignore or pay no attention to it.

The taste of scandal linked to its fame and the particular popularity of NOVA ERA, its printed organ, have now been reinforced by information that the Attorney General's Office intends to prosecute Milcho Popov, author of the article "Zhelyu Zhelev—World Swindler" as well as the statements made on television on the intention of television personnel to sue ERA-3 for its actions. Slovomir Tsankov claims that he learned of this fact precisely from the screen and the press and that he has not received any subpoena, legal claim, or other official document, although quite some time has passed since said information. He considered this abnormal in a law-governed state.

[Manova] Your union is linked to extremism.

[Tsankov] Let anyone tell me when ERA-3 has been the organizer of extremist actions and street scandals with social consequences. I claim never. Could our program include such a thing? Our program is filled with humane principles and is aimed at the era to come.

[Manova] The tone of your newspaper, however, is not considered respectable.

[Tsankov] This is so, but we have decided to be the wedge in this virtually unchanging society, precisely with words. Our weapon rejects half-truths, which are worse than lies. The conflict between words and promises, followed by changes in positions and actions, is what we consider precisely to be a swindle. The facts about Kevork Kevorkyan and the money he obtained improperly may irritate him. However, we would like him to return that money to the people he swindled. Such is our approach to everyone. Our newspaper will not hint but will call things by their proper names. Have we not abandoned the unctuous tone that put us to sleep for 45 years? Shall we have, once again, areas and individuals who must not be criticized?

[Manova] Does it mean that you have no intention of changing the nature of the newspaper, despite the possibility that its publication may be stopped by the court?

[Tsankov] No, we have no such intention. We insist that the law must be the same for everyone. When the former president Petur Mladenov was repeatedly insulted in the

press, at meetings, and God knows where else, accused of having said something whereas everyone knew that he had done nothing of the sort, where was the prosecutor? Will the prosecutor once again react to pressure? The approach toward some nonparliamentary parties and their newspapers eloquently proves our belief that there is no true pluralism and freedom of speech, and politics is being made, above all, with hidden stipulations....

[Manova] Is such a generalization not rather risky? In the newspaper, you repeatedly publish such claims. You do not approve of the work of parliament and the presidency, not to mention the BSP [Bulgarian Socialist Party] and the SDS [Union of Democratic Forces]. In other words, you are showing a total negativism toward existing legal structures. Considering the overall instability, is this not dangerous?

[Tsankov] I do not believe it to be dangerous because this is supported by many people. I think that virtually the entire press, television, and radio quite frequently exaggerate in praising certain achievements. I have already said that we are in favor of showing a greater harshness concerning the reality of our life.

[Manova] What can you say about the claim that your supporters come from the former Sixth Directorate of the MVR [Ministry of Internal Affairs]?

[Tsankov] I wish it were true because this would have given us more newsprint. The fact that we have some documents is due to the citizens. Occasionally we find such materials in the mailbox of the newspaper, left there by unidentified people. Obviously they are afraid but believe that we shall not be.

[Manova] And you publish everything without checking? What if you are being misled?

[Tsankov] We neither check nor edit the letters, unlike the other newspapers. However, we do not print the most drastic among them. I know that there are those who show an intellectual scorn for us. Our words are rough. We do not smooth our statements, but we are a newspaper for the people. If someone gives us his thoughts, they are published unchanged. Our disappointment is an expression of civil disappointment. Our mail is growing with every passing day. As long as ordinary people seek us out, we have nothing to fear. Furthermore, it is we who assume the risk.

[Manova] Are you not exaggerating by claiming to be the most accurate spokesman for the people?

[Tsankov] I believe that the BSP and the SDS, which actually came out of the same circles, have alienated themselves from the people in their aspiration to gain or retain the power, strike at one another, make reciprocal concessions, and so forth. The SDS is no longer what it was when it was founded. It entered the parliament and became concerned with leadership, forgetting those who relied on it to change their lives. Let us not mention the people truly repressed by the communist regime, many

of whom were not accepted by the SDS. Briefly, the two major forces split the country into two halves. This is abnormal and presents a greater danger to democracy than our sharp words. We want to be the country's center.

[Manova] Do you have enough supporters to be able to assume such a role?

[Tsankov] Since 3 February, when ERA was founded, we have reached some 120,000, although you may consider this figure immodest. We have supporters abroad as well.

[Manova] You are about to be tried. Are you optimistic?

[Tsankov] It is possible that after a while there will be no union known as ERA-3. Perhaps I will not be its leader. However, such a political center, based on Christian democracy, will exist. As long as we can, we shall follow the path we have taken.

Misuse of State Budget by BCP Documented

*91BA0099A Sofia DEMOKRATSIYA in Bulgarian
6 Nov 90 p 3*

[Article by Andrey Boev, economist and former chief auditor: "New Reading Matter About Old Budgets—The Dragon Called the State Apparatus—Over Quarter-Billion Overexpenditure for Support of Top-Echelon Party and Government Leaders"]

[Text] Can one have confidence in a minister whose ministry in 26 years' time (1963-88) overexpended 284,372,162 leva on the support of the top party echelon of state administration alone?

Did Minister Belcho Belchev deliberately fail to give an accounting to the Grand National Assembly of the overexpenditure made in the state budgets for the support of the top echelon, most of which was "frittered away" during his tenure as minister? All the more so as the present deputies, as well as the past ones (with the exception of Lilov, Lukanov, and a few others), probably knew nothing about the overexpended government money. Possibly some are pretending that they did not know, though.

In examining more analytically the data reflected in the summary table on planned and reported budgetary figures for the 1963-88 period, several specific facts stand out.

The planned revenues from the national economy are exceeded by 10,404,000,000 leva, and the final result exceeds expenditures by 2,186,834,241 leva—that is, planned physical production was accomplished with a significant overfulfilled volume; the commodity output produced was of high quality and completely marketed; there was significant plan overfulfillment for reduction of production cost, for labor productivity, and for profit growth.

Given the country's grave financial and economic situation, one cannot help raising the following questions:

1. Are the reported figures realistic?
2. If the answer is yes, how do we explain the country's crash, and what is it due to?
3. It is logical, then, to consider that the catastrophe occurred spontaneously in 1989. It is true, Messrs. Belchev and Lukanov, that 1989 was fatal for the Bulgarian economy?
4. If the budgetary realizations were not realistically reported in recent years, was the "doctoring" of them done unwittingly or unwittingly?
5. The calamity, then, existed before. What were the reasons of past governments and, more particularly, of the Ministry of Finance for concealing the truth, and at whose order (of the BCP [Bulgarian Communist Party] Central Committee?) was it done? And why?
6. Why did the whole pack of "people's" representatives fail to analyze the results, and why did they formally approve past state budgets and the hidden truth about the feeble Bulgarian economy tottering on the verge of the precipice?

The undesigned "secret" revenues, shown in line 7 of the summary table and realized in the amount of 59,821,000,000 leva, arouse suspicion. From what "special" foreseen or expected illegal results were these expenditures planned—they are given anonymously? It looks as if our recent (and, in part, present!) high-echelon leaders of the BCP Central Committee, State Council, government and MF [Ministry of Finance], respectively, had in mind some "shady" transactions that were not for the eyes of the people or the National Assembly, and it was not "convenient" for them to become generally known to the outside world.

Perhaps these "secret" revenues had some connection with the illegal stay in Bulgaria of the international criminal Venir Celenk, dealer in opiates and narcotics (and probably in arms as well). Celenk was "harbored" and hidden in our country by Zhvkov's BCP Central Committee and by the government under strict protective measures of the Bulgarian State Security, when he was being sought intensively by the entire West European police.

The author of these lines, while visiting his wife in the cardiological intensive-care ward of a foremost Sofia hospital, repeatedly encountered Venir Celenk. (He was persuaded by my wife that I was "secure" for his person.) Celenk was visited by a DS [State Security] functionary—a young, short, well-dressed man, who, before coming into the ward, had to show his official card to the distrustful hospital personnel. This was in 1983, but today those who once strictly guarded and concealed him with a "clear conscience" fly the flag of cooperation with INTERPOL....

On line 12 of the table is shown 5,231,100,000 spent for the support of the supreme state authority, with an overexpenditure amounting to 284,400,000. These

approved billions and overexpended millions of leva made no impression on a single "people's" representative of the past parliaments.

**SUMMARY INFORMATION TABLE
of state budget revenues and expenditures
during the period 1963-88 inclusive
according to publications of the relevant laws
in the gazettes IZVESTIYA PNS and DURZHAVEN VESTNIK**

| Indicators | Line | Plan | 000 leva | | |
|---|------|-------------|-------------|--------------|-------|
| | | | Fulfillment | Result | % |
| 1. Total Volume of State Revenues | | | | | |
| a) revenues—total figure | 1 | 268,695,336 | 275,942,600 | + 7,247,263 | 102.7 |
| b) expenditures—total figure | 2 | 268,326,318 | 273,386,747 | + 5,060,429 | 101.9 |
| c) excess of revenues over expenditures | 3 | 369,018 | 2,555,852 | + 2,186,834 | 692.6 |
| 2. State Budget Receipts | 4 | 268,295,336 | 275,942,600 | + 7,247,263 | 102.7 |
| a) from profits and other receipts from the national economy—total figure | 5 | 205,257,986 | 215,661,708 | + 10,403,722 | 105.1 |
| b) loan from Bulgarian National Bank | 6 | — | 460,000 | + 460,000 | — |
| c) undesignated (covert, "secret") revenues | 7 | 63,437,350 | 59,820,892 | - 3,616,459 | 94.3 |
| 3. Area of Expenditures Envisaged in State Budgets | 8 | 268,326,318 | 273,386,747 | + 5,060,429 | 101.9 |
| A. Designated expenditures | 9 | 190,802,405 | 200,590,498 | + 9,788,092 | 105.3 |
| a) for development of the national economy | 10 | 126,690,506 | 138,230,878 | + 9,540,372 | 107.4 |
| b) for development of science, culture, education, public health, social security, etc. | 11 | 57,162,728 | 57,129,076 | - 36,652 | 99.9 |
| c) for support of top state authority | 12 | 4,946,172 | 5,230,544 | + 284,372 | 105.8 |
| B. Undesignated (covert "secret") expenditures | 13 | 77,523,913 | 72,796,249 | - 4,727,663 | 196.1 |
| including excess of revenues over expenditures | 14 | 369,018 | 2,555,852 | + 2,186,834 | 692.6 |

This culpable irresponsibility we can also establish with another fact. Whereas in expenditures for welfare, cultural, and educational measures economies of approximately 37,000,000 leva were made (line 11 of the table), for the support of high-echelon party and government leaders there were overexpenditures in excess of a quarter of a billion leva. Nor were the expended covert ("secret") 72,796,000,000 leva "noticed."

The "automatic machine" for elevating the hands of the former "people's" representatives approved everything that was submitted for approval. They simply voted out of fear for themselves: fear of party punishment, fear lest they lost their high party or state positions, their enviable salaries, their well-appointed houses, their country places, their Western cars.

The fear on the part of the high-echelon leaders and apparatchiks has not dissipated even to this day. It showed up vividly in the prelection campaign for the Grand National Assembly and is manifest also in the proceedings of the Grand National Assembly itself. It came out likewise in the discussions of an increase of the low pensions. The pretext was that there was not enough money, though there was sufficient "covert" money in the budget. This fear is perceptible, too, in the reactions to the questions now under discussion in the Grand Assembly.

Throughout the entire (cursorily) analyzed 26-year budgetary period, budgetary figures were systematically "finalized," sizable state expenditures were concealed, and more than a quarter of a billion leva spent on the top-echelon leaders. At the same time, other physical, social, financial, and economic damage was done to the state and to the people. As yet, no action or liability (individual, joint, civil, penal) has been brought against any of those who caused this overall disastrous situation. The culprits are at liberty; many of them are still in their high-echelon official positions, others "cover up" everything they plundered in firm-type organizations, and still others promote businesses abroad. Have we not now become a free and democratic country?

There still have not been set up competent state bodies to strictly establish the specific guilt and liability for, and the amount of the damage individually and jointly caused by the culprits. State Financial Control does not have the necessary jurisdiction to conduct such a huge auditing measure, all the more so since it itself is an offshoot of the powerful bureaucracy and a protector of the all-powerful top-echelon authors of the national disaster.

Here is a trivial but accurate proof of this. According to the audit of a deficiency in accounts, rest and recreation center directress Obreshkova had embezzled about

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60,000 leva. But she is an "intimate" of the former chairman of the Council of Ministers, Grigor Stoichkov, with whom she had lodged a complaint about her deficiency. Stoichkov as principal private secretary of Minister of Finance Belcho Belchev added the following solution on Obreshkova's complaint.

"Comrade Belchev, in Comrade Obreshkova's audit there is a deficiency in an amount that results from rent on the quarters that she used at the rest and recreation center in her capacity as manager of the same. I, as minister of construction and architecture, had authorized her to live there. Moreover, it was her duty. This being the situation, I do not know why there are deficiencies. Therefore, I request you to straighten out this situation. 10 August 1979 (signed Gr. Stoichkov)." (Original unedited text.)

Reason for the audit of a deficiency in accounts: There was no normative document authorizing the exemption from payment of rent of any resident in state or departmental housing. The authorization to live in the hostel had the force of a billeting order, which is not an exemption from the payment of rent.

Yet, as a result of Grigor Stoichkov's solution, Minister of Finance Belcho Belchev "straightened out" the situation. The above-indicated damage was even wiped out with the assistance of judicial authority (through a not-guilty verdict).

In conclusion, to eliminate all kinds of distortion, profiteering, manipulation, and so forth, not only with budgetary funds but also with the country's entire industrial and economic structure, we propose that the office of the president of the Republic authorize a special, competent supradepartmental auditing commission, which shall operate exclusively by order of the president and shall answer personally to him, shall coordinate its work with the corresponding commission of the Grand National Assembly, and, when necessary, shall also undertake joint actions with DFK [Durzhavniyat finansov kontrol; State Financial Control] agencies.

Militia Problems, Crime Statistics Reported

Abuses by Nomenklatura

91BA0116A Sofia DEMOKRATSIYA in Bulgarian
9 Nov 90 p 3

[Article by Senior Lieutenant Kiril Filev: "A Militia With Tied Hands; Chasing Luxury Cars of Profiteers With Jeep Clunkers"]

[Text] Until the end of 1989, a great many of our activities were concealed, for which reason all sorts of "legends" concerning the possibilities, capabilities, and equipment of the MVR [Ministry of Internal Affairs] spread among the public. As a militia officer, let me say that the equipment and technical facilities available to rayon militia administrations do not even merit criticism.

It would be interesting to know how we could maintain public order when we are unable to even catch up with the criminals. It may seem strange, but it is a fact that a high percentage of thieves, drug dealers, swindlers, and other criminals make use of the lawlessness (which is still with us) to become very rich. These days, when ordinary working people are trying to make ends meet, it is amazing that the money is in the pockets of people who have never worked—criminals, profiteers, and the *nomenklatura*. Meanwhile, our officials are forced to chase their powerful Western automobiles with already amortized Ladas and Jeeps that are on the verge of falling apart. Many of our cars are no longer fit even for transportation. And to top all those misfortunes, there is a shortage of batteries, tires, and spare parts. It is no secret that, if a technical check-up of official automobiles of the militia were made (not of the entire MVR), nearly 60-70 percent of them would probably be pronounced unfit for use.

Since no misfortune comes alone, the gasoline crisis destroyed even the little hope and faith that were encouraging our most patient officials. The situation is catastrophic. The militia is unable to even go to all the places where accidents have occurred for lack of gasoline. Victims look at us with puzzlement and wonder when we explain to them that our cars cannot function. The question that naturally arises is: What are the gains and losses to society from such restrictions and privations imposed upon a system that must maintain law and order? Who is interested in having our institution remain weak and powerless and begging for the help of those it is charged to control?

How can we explain the fact that all of our official telephone bills are limited to 50 leva per quarter, and any excess amount must be paid by the personnel out of their own pockets? How can we interpret the fact that, in many areas, there may be as many as five officials per office, which eliminates the possibility of any calm individual work or confidential discussion?

It appears that, among all departments in our country, we are last in the use of computers. Virtually all our information is in files, lists, and drawers. Militia personnel with minimal knowledge of computers may be counted on fingertips.

Nothing could be more ridiculous than a militiaman talking to a foreigner. Long live the finger orientation system. For the sake of comparison, let us note that, in Japan, this profession cannot be practiced without a knowledge of at least one foreign language.

High personnel turnover is being cited as justification for subjective weaknesses in our activities. However, no one is commenting on the fact that vacancies may be found only among low-level personnel, whereas all vacancies on the higher levels of the hierarchy are filled immediately. Therefore, although we lack the necessary field

workers, cadres in charge of managing and monitoring the strict observance of official rules are available; there are no vacant offices.

Lately we have noticed a rejuvenation of the command personnel in our country, something that (in my personal opinion) should reflect positively on our activities. I think, however, that, unless their (and our) enthusiasm is not supported when necessary and reinforced with the required assistance, our services will find themselves definitely "sunk to the bottom." On that level, one can merely observe, not influence, democratization processes.

It is true that criminals, profiteers, and the *nomenklatura* view and interpret democratization as lawlessness and something unattainable. The present situation is close to their wishes. The situation can be changed only if a new perfect law on the police is adopted and normal work conditions for its personnel have been secured.

Therefore, dear compatriots, rulers, and deputies, if you indeed wish to have law and order in Bulgaria, *the militia begs you to untie its hands.*

Increase in Crime

91BA0116B Sofia DUMA in Bulgarian 12 Nov 90 p 2

[Report by Albena Mikhneva: "In a Single Week, There Were 356 Crimes Committed in the Capital"]

[Text] Within a single week, 356 crimes were registered on Sofia territory: one murder, two rapes, nine robberies, 66 thefts of public property, 76 thefts from houses, 80 thefts of parts of automobiles and objects in them, 49 cases of illegal use of motor vehicles, 26 thefts by pickpockets, and 47 other criminal actions. (The weekly average for November was 220 crimes.) We can detect behind such quantitative indicators, which unequivocally show an adverse dynamics of increased crime, a trend toward the increased gravity of the crimes committed during the week.

At about 0300 hours, in a fight between Bulgarian and foreign citizens in the parking lot of the Panorama Restaurant in Simeonovo District, Valentin Petrov, 31, and Yordan Vasilev, 29, were stabbed; Vasilev died.

At 2230 hours, in a housing block on Struga Street, three young men raped a 16-year-old girl. The same horror was experienced by a 14-year-old girl in the copse in the Musagenitsa District.

One evening, in a home in the Ovcha Kupel municipality, two strangers threatened Stefan Branev, 48, with a knife. He was beaten and his hands were cut up. He was robbed of...40 leva.

While traveling in a taxicab with another passenger, a spraying compound was used on two Jordanian citizens, and their money and passports were taken from them. Property crimes prevailed, totaling 142. In the public sector, most thefts involve electrical tools, welding

equipment, automobile parts, electric meters, and so on, along with coffee, coffee and juice dispensers, and microwave ovens. For example, oscilloscopes, a welding set, instruments, Panasonic telephones, and others were stolen from the workshop at the Enisot state factory. Private residences are considered "the most attractive" to those who are after money, foreign currency, video and audio equipment, and gold and silver jewelry. This week, as well, those were mainly the types of items that were stolen.

Solved crimes during the week totaled 124, which is an indication that the pace of detection is substantially lagging behind increases in the crime rate. On the one hand, this is due to a number of things that provide favorable grounds for an increase in criminality: the economic crisis; an increased scarcity of items; growing profiteering; a conversion to a market economy, related to polarization in the population's well-being; an accumulation of substantial cash funds and valuables by individual citizens; moral and spiritual decline; a disruption of the law-and-order system; and a misunderstood democracy, manifested in a nihilistic attitude toward laws and law enforcement.

During the week, three recidivists, perpetrators of a number of break-ins in Sofia territory, were detained. Also detained was a 35-year-old confidence man with a previous record of sentences for fraud. From May to July of this year, under the pretext of supplying them with scarce goods, he swindled citizens of 9,000 leva. A 21-year-old man from Gabrovo, with four prior sentences, was also exposed and detained. Alone or with another individual, he stole goods from houses and motor vehicles.

CZECHOSLOVAKIA

Slovak Minister Cites Tasks Facing His Office

91CH0211A Prague TVORBA in Czech 5 Dec 90 p 4

[Interview with Milan Knazko, minister for international relations of the Government of Slovakia, by Ivan Roessler; place and date not given: "Life Without Problems Has Come to an End"]

[Text] I had the opportunity of putting a few questions to Milan Knazko, minister for international relations of the Government of Slovakia. Originally, I wanted only to discuss foreign policy with him, but, in the end, the conversation also turned to other topics.

[Roessler] Each one of us has two governments—a national and a Federal Government. The boundaries between the republics are clear; but on the other hand, the boundaries between the republics and the federation (this is that question dealing with jurisdictions) are unclear. Where do you see the boundaries? Our foreign policy is of a federal character; nevertheless, as the minister for foreign relations of the Government of the Slovak Republic you develop your own activities. I am

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not certain whether you have a Czech counterpart and whether or not we are seeing the so frequently disparaged asymmetric model here.

[Knazko] I am glad you asked about that, even though I can say that you are quite late in so doing. Many of your colleagues have already cast doubt upon this fact a countless number of times, particularly in the Czech press, before they became familiar with the substantive activities of this ministry. I will be very open with you; perhaps you will feel that I am a bit insensitive, but I am moved by your lack of knowledge. First of all, this is not any kind of asymmetric model; secondly, it is not true at all that there is no counterpart in the Czech Government, and, finally, I would like to stress: would that there were as few problems as exist between the Slovak Ministry of International Relations and the Federal Ministry of Foreign Affairs in all ministries in questions of jurisdiction involving the relationship between the federal and republic governments. From the beginning, it has been clear to us that the foreign policy of the CSFR will be unified in its relationship toward European and world organizations in questions involving all international agreements. I see the meaning of my ministry in the fact that I did not create it, it came into being as a department for handling international relations involving offices of the Government of the Slovak Republic out of a natural need because the number of foreign visits began to increase, independent offers for all forms of collaboration began to come in, including in such areas which were never under the jurisdiction of the federation, such as education, culture, health, sports, etc.

As far as other activities are concerned: That department of the government was engaged in brokering both protocol and consular matters at those consulates located in Bratislava; similarly, it handled all meetings and journeys undertaken by the Slovak Government, even if this occurred through the mediation of the Federal Ministry of Foreign Affairs.

Now, in a broader context, I would like to take a look at what is a foreign contact for the republic, the region, or even for individual enterprises as legal entities. We are not the only state with a federative arrangement. It would be difficult to find at least two states to which a unified template and unified standards could be applied. Everywhere, there are certain specifics emanating from political and historical connections. I shall list a few examples: For example, Belgium where both the Walloon government and also the Flemish government have their own ministries of foreign affairs; I could mention the Yugoslav republics; it is even possible to speak of Quebec or of the individual states in Austria or the FRG; it is not always a question of ministries, but foreign affairs involving regional cooperation are absolutely customary. What are we concerned about? We are striving to debureaucratize the work of the Federal Ministry of Foreign Affairs in a specific way in terms of mutual coordination and information and fundamentally accepting and supporting a unified Czechoslovak foreign policy. I am convinced that the proliferation of

contacts strengthens the whole. As far as the Czech analogy is concerned, I take the liberty of drawing your attention to the fact that a government committee for international relations does exist, although I do not know how many employees it has and what its precise structure may be, but you can inform yourself more accurately on this point. The committee is headed by none other than Mr. Pithart, the premier of the Government of the Czech Republic. The foreign activities of the committee are reflected in trips made to the FRG, where committee members visited Bavaria and initiated bilateral relationships between the Czech Republic and Bavaria; trips to the United States, Hungary, and Poland have been made and they surely have other plans and future intentions. But the Czech press has written very little on this.

[Roessler] We can surely agree that we should know more about each other, but we should not merely exchange information; we should visit each other more frequently. Even Czech journalists should write about Slovakia (and vice versa) and we should be removing the alluvial deposits caused by the most varied misunderstandings. And by the way, which of these misunderstandings do you consider to be the greatest at present?

[Knazko] Differing views of various facts; simplification of problems and their deformation, something which results from the shallowness with which they are recognized.

[Roessler] Can you be more specific?

[Knazko] Slovak nationalism. Without blinking an eye, this concept can cover anything which occurs in Slovakia and which has anything in common with the word "Slovak," "Slovakian," "sovereign." I believe that it is necessary here to differentiate between individual flows; it is necessary to differentiate as to what is the natural and positive feeling of a national conscience. It is necessary to differentiate as to what constitutes an effort to acquire a national identity and what actually constitutes nationalism. But we must see it in a certain context; we must see what its source is, against whom it is aimed, what its concrete goals in one or another form might be. Our political scene is unusually complicated; we have almost 100 political parties, there are various streams, directions, movements. Time continues to be a phenomenon which carries within it a substantially different content than the one to which we were accustomed in the past. I fear that many people do not perceive this or do not wish to perceive it. The maxim that today a month means virtually a year in the development of our society and even with respect to changes of individual political groupings is still applicable.

[Roessler] One Czech newspaper carried a headline: "Is Slovakia Threatened by Civil War?" What is your response to this?

[Knazko] I understand that newspapers sell better with such headlines, but, on the other hand, I believe an

excessive amount of sensitivity still exists in the individual political groupings and that such headlines, even though I know better, are among those which assist in the origin of conflicts.

[Roessler] Can you cite an example?

[Knazko] I have here a headline which says "Juden raus aus dem (Pribina) haus" [Jews Out of the House (Pribina)]. The article beneath the headline speaks of developing fascism in Slovakia. The article cites a few examples of demagoguery and simplification. Simplification causes polarization and tension. It does not lead to agreement. People who write articles in the knowledge that they are not aimed at agreement are striving for something else and, I am afraid, they might succeed.

But to return to your citation: Civil war is not a threat in Slovakia because problems are kept in the area of problems and not in the area of conflicts. They are being handled in a cultured manner.

[Roessler] Will you ever return to the stage or has professional politics taken your fancy to such an extent that you are not contemplating a return to your former profession?

[Knazko] Primarily, what was always closest to me was that which had immediate meaning for me, that which makes any sense at all. I did not set myself the goal of becoming a revolutionary, but one day I could not silently condone the methods with which the former regime treated us and so I stood up against it and did not ask myself the question whether I wanted to be a revolutionary or even a politician. It was simple, certain obligations came into being after November between those of us who were on the speaker's platform and those who stood in the town squares. And I could not relinquish these obligations. Then, the election campaign followed in which I once more participated in discussions in tens of Slovak towns and villages and, again, a certain obligation came into being. I cannot tell those people who circled my name during the elections that we can discuss those problems with which they turn to me somewhere at the stage door of a theater. That is impossible. I only hope that in a short time I shall be able to delegate this responsibility to someone in whom I have absolute confidence and that my life will become substantially simpler and more interesting than it is today.

[Roessler] Czech students have expressed their alarm over the development of events in our country. They even speak of a stolen revolution. How do you regard the development of events?

[Knazko] Life without problems has come to an end. A life in which our problems are solved for us by someone else is over. All those who speak of a stolen revolution, even those who claim that things were better under the Communists, as well as those who want to change things, have legal means at their disposal for doing so. They can

write about it, they can speak about it, they can elect their people, or they cannot elect anyone. What can be added to this?

[Roessler] And what about those who came into power only as a result of their past merits and not because of their professional capabilities? Does dissidence amount to any kind of qualification?

[Knazko] Definitely not. That way we would reach a point where someone could be directing a large factory because he was a partisan and perhaps did not even have 5 years of schooling and, more likely, does not know how to direct anything. On the other hand, it is difficult to avoid individual mistakes. To the extent to which they do occur, however, everyone has the legal right to point them out. All over the world, sympathies, money, acquaintances play a role; however, the less this is reflected in our life, the better.

[Roessler] Thank you for this interview.

YUGOSLAVIA

Confederal Solution Considered Outdated

91BA0177B Zagreb DANAS in Serbo-Croatian 4 Dec 90
pp 14-15

[Article by Prof. Slaven Letica: "JEZA"]

[Text] In political language metaphorical terms (and even entire metaphorical statements) do a good job of revealing the essence of politics: the circumstances in which it arises, its content, and its style. Let us look for a while at how Yugoslavia has been discussed politically for the last few years. The sociolinguistic structure of "Yugoslav" political discourse has changed completely during that brief period. Three phases can be distinguished.

During the first phase (1987-88) Yugoslavia was still spoken of as a fortress or bastion; if not of "self-managing socialism," then at least of "fraternity and unity." Since the metaphor of a fortress (or bastion) is necessarily associated with warfare and battles, then political discourse as a whole swarmed with the notions of junior officers: "enemy" (of fraternity and unity, self-management, etc.), the "struggle" (for Yugoslavia), "attack" (against the "enemies"), "defense" (of the legacy of the revolution, fraternity and unity, socialism, the name and reputation of Josip Broz Tito, etc.), and so forth. At that time the political discourse about Yugoslavia was still extremely (militantly) Bolshevized. It was based on the ideology and rhetoric of the class "struggle" and the "dictatorship" of the proletariat.

During the second phase (1988-89), people began to talk about Yugoslavia as a "common home" or a "common house." Milan Kucan was the first one to begin and support the use of that architectonic-building metaphor. Its value is twofold: it contains the European aspiration (because the Europe-92 model is discussed using the

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building metaphor: new European architecture, the common European home, etc.), and the aspiration of abandoning destructive and negative political discourse in favor of something positive. In fact, the concepts of house and home suggest the need for a positive approach to politics, and the need to design and build a "home" and other positive human and political values in coexistence. With respect to the idea of Yugoslavia, Kucan's metaphor was confederalist from the very start. He talks about the right of the household members in that "common house" (Yugoslavia) to "settle relations within their house freely and independently." Such an approach to Yugoslavia reduces that state community to a sort of system of rough construction (builders call it the Rohbau system), in which only the "rough work" is done jointly, while everyone arranges the "finishing work" and relations in his "own house" according to his own taste, knowledge, and capabilities. Essentially, that is the idea of a confederation.

In the third phase (1990), people began to talk about Yugoslavia as a "marriage." The metaphor of marriage (which was recently used by Monca Kosir) demonstrates that the idea of confederalism is, in a way, obsolete. Specifically, when people start to talk about Yugoslavia as a poststatist state in terms of the metaphor of marriage, then two mass-psychology consequences of that discussion are inevitable. The metaphor of Yugoslavia as a marriage makes everyone, or at least everyone who is married, "competent" to take part in that discussion, and thus a populist explosion of the discussions occurs. Furthermore, in contrast to Yugoslavia as a fortress and Yugoslavia as a house, marriage is something that under communism, by definition, is unstable, in a state of crisis, irritating, and surly. That is why the psychological hypothesis that at least part of the results of the Slovene plebiscite on "abandoning the marriage" in Yugoslavia will be determined by the strength of the institution of marriage and the Slovene population's attitudes toward marriage, is not far from the truth. The process of the "softening" of metaphorical speech about Yugoslavia has also been accompanied by a new type of terminology. Slovene political discourse is speaking more and more often about "abandoning Yugoslavia" or "leaving Yugoslavia." In connection with this, politicians emphasize the necessity of temporary "sacrifice" by Slovenes as the necessary price for "leaving." The "price for leaving" is also mentioned: two, three, or six billion dollars. The promise of suffering and losses will certainly not have any negative impact upon the results of the plebiscite. Why? Simply because flight from a demonic and demonizing "marriage" (Yugoslavia) is widely accepted as the process of a flight from hell. The idea of "purgatory" and renunciation on that path is very understandable. The revival of a traditional and even Christian awareness makes the thesis of the need for penance while "leaving" Yugoslavia (which is perceived as a demonic state of marriage) widely acceptable.

The use of marriage as a metaphor has one more element—a sexual one. In fact, since the noun "Yugoslavia" is of feminine gender, its demonic mass-psychology potential is thereby increased. The Yugoslav marriage arose on the basis of emotions, the faith—primarily of the peoples who lived under the auspices of the Austro-Hungarian monarchy—in freedom, coexistence, and social and national justice. The crisis of the "marriage" occurred when emotions became its enemies instead of its allies. That "marriage" can survive today only through inertia or force. Force is being threatened more and more. The most honest threats have come from former Admiral Branko Mamula, who is known for his Opatija villa, on which MLADINA once built its circulation. According to THE FINANCIAL TIMES, Mamula recently stated in London that the JNA [Yugoslav National Army] would intervene to protect the integrity and survival of Yugoslavia as a federal state. Speaking at the Royal Institute for Defense Studies in London, he said, among other things, "If we have to resort to repressive measures, including military force, we are convinced that Yugoslavia will be capable of controlling the situation within its borders." Mamula, furthermore, said that the kind of confederation model proposed by Slovenia and Croatia was not acceptable, because the creation of national states for Serbs and Croats was not possible without bloodshed. Or with it, either. That is fairly clear, and very blunt—so blunt that the editorial office of THE FINANCIAL TIMES entitled the article "Yugoslav Armed Forces Ready to Intervene." Finally, all the cards are on the table. The formation of the Belgrade neo-Stalinist military party is presenting Mamula as a candidate to be our own Jaruzelski—a potential savior of Yugoslavia.

A new, nihilistic, and catastrophic type of metaphorical speech has appeared, in contrast to Mamula's vision of Yugoslavia as a marriage "saved" by the Army with blood and force. I was recently at a public discussion group in Slovenj-Gradec. Slovene Justice Minister Rajko Pirnat was sitting next to me. Speaking about the relationship of Slovenia and Yugoslavia, he used the metaphor of "a sinking ship" for the latter. The metaphor of a ship and shipwreck is not far from the truth. The question is only which "travelers"—states, peoples, individuals—will seek salvation by abandoning the ship, and which will be slaves to the syndrome of the ship's captain: the one who does not leave the sinking ship. Of the many visions of Yugoslavia, only three remain today, and it is worthwhile to analyze them briefly: Markovic's, Kucan's and Tudjman's, and Mamula's (formerly Milosevic's).

Markovic's vision of Yugoslavia is equivalent to the formula: Titoism minus dictatorship, plus pluralism plus privatization plus entrepreneurship plus market. That vision of Yugoslavia has a limited life span. The election results in Bosnia-Hercegovina and Macedonia confirm that fact. The creation of "Ante's party" and Stojadinovic's fate, which it experienced in Bosnia-Hercegovina, show that free and democratic elections

abolish the legitimacy of supranational political parties. It is a question of political morality—as shown by the example of Margaret Thatcher—whether Markovic will learn his lesson from the fate of the SRS [Alliance of Reform Forces] in the elections. Everyone is writing and talking about the tragic fate of the so-called economic program, and so I will leave that aside.

Mamula's vision of Yugoslavia is Titoism without federalism. Consequently, it is only a repackaging of Milosevic's vision of Yugoslavia. That vision of Yugoslavia can only be achieved through a military coup and bloodshed.

Kucan's and Tudjman's vision of Yugoslavia is also a bit obsolete today. It is based on the idea of Yugoslav confederalism, i.e., an alliance of independent and sovereign European states. Since in a way I have also been an intellectual source of that idea, I must state that its obsolescence demonstrates—who knows how many times this has happened now—that time frequently spoils even good theories. The obsolescence of the idea of a Yugoslav confederation is easy to prove. Confederations are always, and without exception, alliances of friendly states. Usually they are military alliances that have arisen because of fear and a threat to the members of the alliance from third states. Today, however, the Yugoslav states are surrounded by friendly states, and are themselves potentially hostile to each other. For that reason, military and defense interests cannot be a motive and reason for converting the Yugoslav semiconfederation into a confederation.

The interest that could possibly support the survival of Yugoslavia as an interstate (and not state) community is primarily an economic one. That is the reason for the strange title of this article: "JEZA." This is an abbreviation for Yugoslav Economic Community, a community that can be formed on the territory of present-day Yugoslavia and that could perhaps contribute a peaceful solution to Yugoslavia's constitutional and state crisis—a crisis that has been latent ever since Yugoslavia was established, and has assumed critical dimensions in recent months and years. The creation of JEZA, an economic alliance of several states with European orientations and ambitions, would have at least two positive effects. The first effect would be a reduction in the Community's budgetary expenditures. I will call the second effect "the effect of the fall of the Berlin Wall" (I will discuss that a little later). The potential reduction of the Community's budgetary expenditures compared to today's federal budget can be assumed by comparing the current budgets of the European Community and the SFRY.

According to an analysis by Dr. Pere Jurkovic, Croatia pays 10.6 percent of its social product into the federal budget, and the net allocations are 6.3 percent of the social product. At the same time, the EC's budget only amounts to 1.13 percent of its members' social product. Even after the creation of Europe-92, budgetary expenditures could not exceed 2-3 percent of the social

product. Consequently, the price of a federal state for Croatia (and Slovenia) is five to six times higher than the price that the European states pay for the EC. The creation of JEZA and the gradual and decisive demilitarization of today's Yugoslavia, over the next five to six years, could relieve most of the Yugoslav states of a large part of the supranational state expenses. The reduction in state (administrative) expenses, however, is not the main potential effect of the creation of JEZA. I called the basic effect "the effect of the fall of the Berlin Wall." In fact, the physical and symbolic destruction of the Berlin Wall increased the interest of foreign (and domestic) investors in investing in the former East Germany (and also increased real estate prices) by 50, 100, or even 200 percent. The peaceful resolution of the Yugoslav crisis and the creation of six independent and sovereign southern European states would achieve the same effect as the fall of the wall.

Foreign investors' interest in investments and real estate prices in Slovenia and Croatia would increase several times over, literally overnight. The effect of the fall of the "wall" in the eastern parts of Yugoslavia would be much less in the short term. The creation of an economic community, however, would have a favorable effect on them as well, however, by the laws of linked (economic) vessels. If we assume optimistically that in the next few months that idea of JEZA and/or a confederation will gain more and more adherents in Yugoslavia and abroad, the issues of procedures and the obstacles to the realization of these ideas remain open.

A minimal political consensus is the basic prerequisite for a peaceful transition from semiconfederalism to confederalism or JEZA. That minimum means democratically elected representative and other authorities, and the acceptance of European political and economic values and principles as our own: a market, human rights, tolerance, modernization, ecologically responsible development, etc.

Since it does not seem likely that the military-Bolshevist lobby and the present Serbian authorities will accept those values, principles, and processes in the near future, the crisis can and must be resolved by those parts of the SFRY that have achieved a democratically elected government. These are primarily Slovenia and Croatia, and Bosnia-Hercegovina. They have to do this because so far time has been their main ally, but it will not be able to keep that role much longer. Maintenance of the status quo is leading the entire country into the situation of an "acting-out" society; figuratively stated, a society that is acting like a car in neutral, with the driver constantly stepping on the gas or letting up on it, but the car always stays where it is. Maintenance of the status quo is thus leading both Croatia and Slovenia into intensification of the economic crisis. With an economic crisis and social tensions, a positive political climate can easily turn into a negative one. Authoritarian and egalitarian values can inundate both the government and the people. For all these reasons, Croatia and Slovenia must begin to work toward resolving Yugoslavia's constitutional and state

crisis, and transforming their own semisovereign Yugoslav states and societies into sovereign European states and societies.

Belgrade Lawyer on Ethnic Issues, New Weekly VREME

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20 Nov 90 pp 21-23

[Interview with Srdja Popovic, attorney, by Jelena Lovric; place and date not given: "Decline Into Barbarism"]

[Text] Although he hates failures, the well-known Belgrade lawyer Srdja Popovic likes difficult tasks. The greater the difficulties, after all, the less routine is allowed. He is an attorney who admits a passion for his work; from his father, who practiced law for almost six decades with a priestly devotion, he inherited not only a successful practice, but also a valuable sense of pathos. He is best known to the public as the defender of dissidents and those who have been the victims of political trials. His clients have included Seselj and Artukovic, Dobrica Cosic and Tudjman, Mihajlov and Seks, Cavoski and Marko Veselica, Paraga and Cicak.... But Popovic has also been counsel for some of the largest world companies in Yugoslavia and a lecturer at large world universities. The occasion for this interview does not at first seem to be related to everything that Srdja Popovic has done up to now. That is, the other day an independent weekly, VREME, began to be published in Belgrade, the first privately owned newspaper; Popovic was the initiator, founder, and one of the financial backers.

[Lovric] There are those who think that the establishment of your newspaper is the most important political fact in Serbia in the last two years. Why did you decide on that step?

[Popovic] My usual answer is so that I would have something to read. But seriously, I had two motives. First, I saw that the best newsmen can no longer write in Serbian newspapers and magazines, nor can they appear on Serbian television. Journalism has never been more hampered in Serbia than now. That is a terrible monopoly, and we have made a small crack in it. Second and more important, I felt that the problems we face are not being solved by political pluralism; that is, they are not resolved exclusively by political pluralism, that they go much deeper, that we do not have our own Havel who would teach us how to get out of the cultural blind alley, how to reconstruct society, to reestablish normal social roles because the system we have had up to now deformed them, and how to grasp personal freedom. It seems to me that a great deal can be done in this context, not immediately, of course, but over the long run, only by a mature, and that means a well-informed, public that would be exposed to more than one kind of idea. Parties would then come into being when people of like mind came together, whereas now they gather around two

ideas which are nearly as empty as what preceded them. Anticommunism, after all, is just as empty as communism. It contains absolutely nothing. It is the same kind of antipolitics. I think that party life up to now belongs to that first postcommunist phase which I call destructive, in which political parties are by and large destroying everything wholesale, both what should be and what should not be destroyed, and after that there should come the phase of construction, and for that it is indispensable to have a mature public.

[Lovric] Do you see some connection between what you have done earlier and the starting of a newspaper? It seems to me that the connection might be sought in the fact that in the political trials you have defended the right to think differently, including the holding of different political opinions, and now you have established a newspaper with the same goal.

[Popovic] Actually, it is defense of the right to expression of opinions, which is today beyond dispute. Presumably, the time in which that was a crime is behind us once and for all. Systems which were not sure of themselves attempted to abolish competition. But that is naive because this always broke through on all sides like smoke. But now that all the taboos have fallen, when I read the newspapers or listen to party pronouncements in Yugoslavia, I am sometimes a bit disappointed, and in jest I say that perhaps that hostile propaganda should not have been abolished. I have been fighting for this for two decades, but I almost think that if this is what freedom is for, there is a question of whether it was worth fighting for at all. That is, of course, stupid, because now people are putting on the market all the ideas which people produced over these last 40 some years when it was prohibited to put them up for sale. The offering now is enormous, much greater than the demand—which means that everyone is talking and no one is listening—the goods have gone stale, they have been in the warehouse almost half a century, they are old and spoiled, they are unwholesome, and new production has not yet begun. That is what is happening now at the level of the public in Yugoslavia.

[Lovric] It now seems as though everything can be said, and that without any sort of scruples and without obligation. As a lawyer, how do you look upon responsibility to the public, the responsibility for public statements?

[Popovic] This is related to the postcommunist destruction, which is presumably coming to an end now. We are looking at a situation of anomie, lawlessness, license. I remember when after the unsuccessful congress Ante Markovic said for the first time: We can do without the party, it sounded very optimistic, cheerful and consoling, but unfortunately it was not true. After all, the party state, and that is what we had, emptied of all other content, cannot go on without the party. All of a sudden it became evident that the constitutional and legal system, in which the party was the background, was breaking apart, it was evident that the institutions of the state could no longer function either, because it was the

party that held them together. The entire legal system and all its institutions fell apart, and complete verbal irresponsibility and violence have prevailed. But it is not just a question of horrible stupidities, lies, and slander being uttered. People are not paying their rent and electricity, there are muggings, outright gangs are emerging in the middle of the city and in the middle of the day. Actually, it is a question of decline into barbarism. The organized forms of community life have disappeared, there has been a slide in the direction of certain forms of banditry, which strengthen the government, and this is true not only on the street, but also in political relations. Whoever has the power will arrest those who write the Kacanik Constitution because it is supposedly unconstitutional. And, of course, all the other constitutions will be the same, which means, then, that people will be arresting whoever they can, whenever they can get away with it if they are the stronger ones.

[Lovric] Do you see that as a temporary situation, or is there a tendency for it to persist?

[Popovic] I do not know what you mean by temporary, but over the long run, of course, people will see the need to save their strength. The law indeed exists so that we need not exchange blows over every conflict, but rather know that certain cases are resolved as a rule in a particular way. A horrible amount of energy is consumed not only in arguments, but also in those robberies and violent resolutions of conflicts. Were we to invest it in some kind of production, we would go far. Perhaps people have not yet articulated it, but in some fashion they know it, and when they relax a little bit and have enough of this wild freedom, at some point they will not only be ashamed, and I think that many will be ashamed, but they will also yearn for all that to take shape in some kind of permanent system because this way life is very difficult and strenuous. I see that many people who enjoyed those freedoms until yesterday—and I do not even put the word freedoms in quotes because these are freedoms of a kind, the only question is what kind because even the most ideal freedom consists of a hierarchy of various freedoms—are today feeling intensely that the price being paid for this is too high.

[Lovric] You speak about the party state. Does it not seem to you that even where multiparty elections have been conducted a party state is again being created, except that it is a new party?

[Popovic] I think that is true. The existing monopolies, which those parties found waiting for them, are so seductive, it is so easy to take possession of them, that the temptations are, of course, enormous. The temptation, for example, to institute new moral-political qualifications of fitness with a new content, the temptation to nationalize social property so that the state, in the hands of the party, directly controls it.... But still I see an essential difference in that those monopolies and these new parties do not have behind them two important points of support which the Communist Party had. First, there is no longer the planetary support which came from

half of the world, and second, there has not been the ideology which granted the historical mandate to the Communist Party. Every nationalistic party in power, by contrast, can be replaced by another nationalistic party, there is no good reason why this should not be so. And once the mechanism of change is installed, then it is very difficult to take it away from people except by revolution, and that a revolution in conjunction with a war, as occurred in our country.

[Lovric] In the recent talks between Serbian and Croatian intellectuals in Zagreb, you took a position opposite to that of all the others. It is usually thought that dialogue is indispensable and urgent between nationalities in Yugoslavia, and you said that such talks were premature. Why?

[Popovic] Let us ignore for the moment how and why that occurred, but the Yugoslav nationalities are at odds, and this is true not only at the top of the political ladder, as is usually thought, but unfortunately even the peoples are truly at odds. I think that this is the consequence of the system in which we lived for decades. Those who have come to head the ethnic collectivities and shouted: "Follow me and let us leave communism," have gained a certain—true—legitimacy because they made that necessary step. But when those national collectivities closed ranks and in that way left communism, they erased all internal differences and made it impossible for the catharsis of which we dreamed to occur, that Croats would sit down with Croats, Serbs with Serbs, and attempt to realize how it was possible that all those nationalities were exploited in that way. Because all of them were exploited.

[Lovric] Few people see this today. It is usually thought that one nationality has been exploiting another one, and all then feel shortchanged.

[Popovic] That manipulation of nationalisms distinguishes the entire period of communist rule, and I think that Tito was its champion, but not in the interest of this or that nationality, because he really was an internationalist of the Comintern type, he put the ideological ahead of the ethnic, but at certain moments it suited him to support some against others depending on the balance of power and the need. When he disappeared, when the central axis was removed from the system, no one could control it any longer. It flared up. And now, in such a situation, for Cicak and I to say that we are going to change the Croatian and Serbian peoples leads nowhere. Those peoples are intoxicated and no one can reconcile them until they sober up, and we cannot sober them up. The projection of blame on other nationalities is simply infantile. It is like 50-year-olds blaming their parents for their own destiny. Mihiz said once of the Serbs, and I think that this could be applied to others as well, that we occupied ourselves. It is easy for the Czechs, after all, who are occupied by the Russians; one day they will leave, but what are we going to do? It is

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particularly irritating that those who were censors, turnkeys, and ideologues until yesterday, that the government that was in place until yesterday could hardly wait for such a situation and are now stating the requirement that there must be no debates among us, that we must, it seems, be in harmony because we are surrounded by enemies, the enemy could abuse that situation, just as they once told us that the imperialist encirclement would misuse any truth which they spoke about Yugoslavia. This now applies to Serbia, and I do not know to what extent it applies to Croatia and Slovenia, but they are preventing us from writing our history over the last 50 years. And it is important for all the nationalities—if you want to go back in time because we have been living outside time—to write those histories of theirs and to do this themselves, since they will, of course, always feel a resistance to having them written by others. I can fully understand that the Croats feel a resistance to having the history of Jasenovac written by someone else. I think that it is no one's job to do but theirs.

[Lovric] It seems to me that you have a rather critical attitude toward the opposition in Serbia. Why?

[Popovic] Well, not really toward the opposition. It has not surprised me very much, it is the way it has to be, because all of us are Romanians, in various degrees, but nevertheless Romanians. I am astounded by the Serbian intelligentsia and I am very critical of it because I have moved in those circles for a very long time and I had certain illusions about it. It handled itself well when it was exposed to great pressures in the context of the one-party state. In order to preserve itself, it concealed internal differences, it reconciled adversaries, it stuck together, which also had its bad side, because the better part of the Serbian intelligentsia became frozen in that dissenting resistance and went no further in its thought.... I was astounded when some of those people supported something here in Serbia which is clearly nothing more than an ordinary dictatorship and did so quickly and uncritically, at least in the early going.

[Lovric] Do you feel a collision between the atmosphere of great freedom in which almost everything can be said and a slightly less visible, but rather iron-fisted police system?

[Popovic] I often wonder, knowing what the police apparatus was like, what they are doing now? Since they also have to do something, it is that kind of institution, and if there is no need, they will invent one, create it, they will offer their services even when they have not been called upon. I do not know much about that, but I wonder to whom they are offering themselves, and in what manner? I think that they have found a great many places for themselves, at least in the Serbian parties.

[Lovric] Are you afraid that in that new democracy you will be left without opportunities or the need to be involved in the political trials which have been such a challenge for you?

[Popovic] I think that there may still be political trials in Serbia, especially if the Communists continue to hold power so convulsively, which it seems they intend to do. My father defended the Communists half a century ago. I am afraid that this could happen to me as well.

[Lovric] Do you think that this newly proclaimed Serbian Constitution could be turned against those who adopted it?

[Popovic] I think that that could happen very easily. But I also have another suspicion. This government has said that it would defend itself even with guns. I have not forgotten that, although in the meantime they have moved from trench to trench, further and further, but at that decisive moment I am not certain that they will march out of the assembly coolly, in the manner in which perhaps Vuk Draskovic thinks.

[Lovric] Do you see arguments for such assertions in some of its current moves?

[Popovic] How could I fail to see them? That was a politics that began in a reckless fashion, and that is what it is even today. The German ideologue Karl Schmidt once said that power goes to the one who takes control of the emergency situation. But in our country the emergency situation is being produced nonstop. That means: Stronger and stronger moves are being made all the time, legal institutions are being incapacitated even though they functioned quite well when that movement was on the rise. But from the moment when its downward trajectory began—and in my opinion that dates from the beginning of the Villasi trial, which absolutely was a turning point because that is when they went too far—all those strong moves are leading downhill faster and faster. Since the beginning of this year, Serbian politics has done nothing more than decide which wall it would ram with its head. I think that that need for strong moves, even now when it is obviously irrational and counterproductive, is not dying out. The decisions on tariffs show that no one is any longer able to weigh the causes and consequences, and that makes me very afraid. I am afraid they may even make moves that will be suicidal for those who decide on them, but also very expensive for all the rest of us.

[Lovric] You were the chairman of the independent commission of the UJDI [Association for a Yugoslav Democratic Initiative] to ascertain the state of the facts in Kosovo. What is your finding?

[Popovic] Let me say at once that we do not have a remedy for Kosovo, but I think that we arrived at a diagnosis which will have to be the point of departure in the future. Perhaps it sounds banal today, but a year ago, when we began, there was talk only about pressures, about moving out, about disruptions of the ethnic structure, about counterrevolution. It is our diagnosis that historically the relationship between those two ethnic groups has been something that can be called a model of domination, by contrast with the other two models that are theoretically possible: the model of coexistence and

the model of assimilation. This means that down through history in Kosovo one ethnic group has always dominated the other. In the party state, they gained a fantastic instrument for oppression because under communism anyone who grabbed power could do what he liked with others. It is a question of claiming sovereignty over the same territory, the kind of sovereignty that regardless of who holds it, perceived, that is, by the other side, is an absolute and merciless domination over the competitor. Over these last 10 years, the Albanians have covered 50 years of history, and I think one day they will erect a monument to Milosevic because he helped them to organize themselves as a self-conscious nationality that has been heard of around the world and whose demands have been internationalized. At the same time, that politics of banging head first into the wall is not abandoning the road on which it has started, and their conflict today cannot be compared to the initial one; it has now gone into an absolute blind alley in which without an intermediary there is no longer any discourse and none will be possible for a long time yet. The Serbian people have taken a heavy mortgage because they consented to that kind of policy, at least at first. I think that, in the struggle for dominance in the party, because the logic of the last half century has been that whoever captures the party is the winner, the Albanians have outwitted the Serbs. Although the Serbs, ideologizing their ethnic interest, at first proclaimed the Albanian ethnic movement a counterrevolution, the Albanians were the first to sense that the situation is changing, and when they were unable to capture the party, they all left it. But the Serbs were left in the sieve with that party, like a kind of scarecrow, some kind of strange creature in Europe. But I hope that they will remain in the situation to which they were brought by the Kosovo question only until 9 December.

[Lovric] How do you see that election day in Kosovo?

[Popovic] According to certain fairly reliable reports circulating in Belgrade, there have been some contacts between the Serbian Government and the Albanian alternative offering them something—I do not know what—provided they go to the polls. The Serbian Government is panicky about a boycott of the election. I think that is what they fear most. For them, the boycott—and I am thinking of others as well—would be a very poor solution because then politics would really have begun to roll in the street.

[Lovric] Do you see the possibility after the election of some dialogue beginning with the Albanians leading to a resolution of the Kosovo problem?

[Popovic] It seems to me that the question of Kosovo and the question of democratic transformation of Serbia are the same question and there is no possibility of working out one and then dealing with the other one. That is why I am amazed at the Serbian intellectuals who are demanding that Kosovo first be wound up and then presumably democracy would be dealt with. After all, how are you going to get democracy when you operate in the way you intend to operate? With whom are you going to make that democracy? The people you have killed there?

[Lovric] Do you see any possibility for the survival of Yugoslavia? It seems to me that the mood is increasingly evident in Serbia—and there have even been entire projects to that effect, one of them recently was presented by Mihiz—calling for Serbia to become independent. Do you think that this is a temporary commitment which will die out in time, or is that alternative permanent in nature?

[Popovic] I think that it is temporary, but I do not know for how long. We will have to go through this phase; that is obvious. But the deeper one goes into it, I think, it becomes clearer and clearer that there is a wall at the end of that road and we will have to go backward. I think that in Slovenia, for example, that road backward has already begun. In Croatia, it perhaps has not begun quite yet. And I think it will also begin in Serbia. Today, when you say that you are in favor of Yugoslavia and you would like it to be preserved, people look at you in astonishment because for them Yugoslavia is that experience which they have had and in which they do not see anything worth saving. I do not entirely agree with that, but in any case when I say that I am in favor of Yugoslavia, it does not occur to me to go back to the past. But I think that certain other versions are also possible. I even think that we are not at all capable of imagining all the alternatives that do exist, just as I think that it is not intelligent at this point to try to define that Yugoslavia. The moment when that becomes the topic of our discussion, there will certainly be ideas. But we are still engaged in destruction. But even that will come to an end. After all, I do not see anything else to destroy.

[Lovric] I do not know whether this is an optimistic or pessimistic conclusion.

[Popovic] Both. I have never liked to appeal to dialectics, although I had to go through that training, but I think that this time that is exactly what is involved. The site first has to be cleared before something can be built.

MILITARY**POLAND****Draft Law on Military Service Discussed**

*91EP0115A Warsaw RZECZPOSPOLITA in Polish
12 Nov 90 p 3*

[Article by Kazimierz Groblewski: "Apolitical Armed Forces"]

[Text] Compulsory military service is deferred for persons conducting their own election campaign (for the duration of the campaign), as well as for those elected to the Sejm, the Senate, or territorial self-government organs (for the duration of their terms). On the other hand, deferment will no longer be granted by virtue of "doing work at a state enterprise accomplishing particularly significant production tasks." Also, it will not be possible to refuse to accept a draft notice. In the event the person called up is absent, an adult member of the household will have the duty of accepting it (and "delivering it to the addressee without delay"). However, if the draftee does not report for duty at the appointed time, and has no valid reason, the police will have "the privilege of bringing him in."

Intelligence and Counterintelligence

A draft "Law on Amending the Law on the Comprehensive Duty of Defense of the People's Republic of Poland and Certain Laws" prepared by 35 deputies was submitted for consideration by the Sejm at the end of October. The old name of the country is replaced by the word "State" in the new title. Several basic chapters have been amended. Article 14, which was added by the deputies and in which they took a stand on the issue of military intelligence and counterintelligence services, has a special nature. This is an attempt to fill a legal gap associated with the operation of these services. The draft law establishes the principle of responsibilities, duties, and rights of military intelligence and counterintelligence personnel with regard to the functionaries of the Office of State Protection. The minister of national defense will exercise power over them, similar to that envisaged by the Law on the Office of State Protection for the minister of internal affairs. However, the definition used in this article of "the mode of accomplishing tasks" which is to be set for military intelligence and counterintelligence by the minister of national defense appears to be not very precise.

Compulsory Service—18 Months

Compulsory military service will last 18 months. For the time of service, the membership of soldiers in political parties will be suspended. Identical rules have been established with regard to people serving in Civil Defense. The draft also forbids soldiers in all services to set up and belong to trade unions and participate actively in the operation of those trade unions which they belonged to when drafted. The proposal to deprive foreigners of an opportunity to engage in military service

in Poland is interesting (so far, foreigners have been able to serve on the basis of a voluntary enlistment).

Demobilized Students

The chapter "Military Service by Students and Graduates of Higher Schools" has been worded anew. The changes eliminate military training in the course of study. The graduates of higher schools will be trained for a period of up to six months in military units. The deadline for being called up for training has not been changed—up to 18 months after graduating from a higher school. It will be extended by another 18 months if the call-up did not occur "for reasons beyond the control of military organs or due to filing a request to be referred to substitute service." The duty to take military training during the course of study remains for the students of higher maritime schools and students of medical academies. The military education of the former will not be continued after their course of study, whereas the latter will still take compulsory training for a period of up to six weeks. The status of students and graduates of other schools who have already taken military classes (in keeping with regulations in effect to date) but still have not been trained in a unit is not quite clear. To be sure, Article 103 states that taking these classes is the equivalent of undergoing training, but under the terms of this article it applies to the students of higher maritime schools.

A lot of space in the draft is devoted to settling the issue of grants, fees, and pay due to soldiers or members of their families in various circumstances. They will be paid by the organs of territorial self-government and defrayed from the budget of the Ministry of National Defense.

Training in Schools

Members of labor brigades will perform their duties to the motherland for 18 months. They will no longer be penalized by "confinement of up to 14 days and service in a disciplinary unit for a period of one to three months." The deputies have treated female students favorably. They will no longer have a duty to take defense training during the course of study. However, striking the subject called defense training off the curriculum of secondary schools has not been recognized as proper. Therefore, the young people will continue to "cram" military ranks and learn to shoot; however, they will most frequently learn about "the current threat to peace" [only] from teachers with a very long tenure.

Substitute Service—24 Months

The deputies have restricted the duration of substitute service to 24 months, and for the graduates of higher schools to 12 months. From now on, it will be possible to serve in the health care service as well. The fees for work have been set in the amount of the lowest remuneration to employees for working full time in a month. It is proposed to modify the manner in which those in this service are punished in case they commit a crime. Punishment by means of a request by the manager of an

enterprise, to the appropriate voivodship draft board, to revoke an agreement to substitute service by the draftee is to become an important element. If the board resolves to revoke the referral, the person in question will be drafted for compulsory military service (toward which the period in substitute service will be counted). The graduate of a higher school in a similar situation will be subjected to being drafted for military training.

The care taken of clearly specifying the responsibilities of ministers, mayors, city presidents, voivodes, and rural officials in various areas associated with the comprehensive duty of defense is an important advantage of the prepared amendments.

Career Servicemen Not To Belong to Parties

The draft by the deputies also amends five other laws. Among other things, career servicemen are forbidden to be members of political parties, to participate in gatherings of this nature, or to organize trade unions. The establishment of positions of advocates of the rights of servicemen has been proposed.

The amendments are mainly due to the need to adapt the provisions of the law to the changing legal order. This draft codifies the state of affairs which actually already exists in many fields. This draft is not bad, but why is it not very good either? The most significant issues will certainly be resolved only after a new Constitution of the Republic of Poland is adopted. The draft by the deputies instructs the minister of national defense to publish the current texts of amended laws. This leads to the assumption that we will have to wait for quite a long time until these laws are developed absolutely anew. Perhaps, it is a pity, because for many people the extent of changes occurring in the armed forces is a yardstick for measuring the progress of democratization in the country.

Armed Forces Explore Commercial Activities

91EP0141A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 47, 25 Nov 90 p 3

[Article by Miroslaw Cielecki: "Army—Business: The Money Is Lying on the Runway"]

[Text] Foreign enterprises will be leasing army airfields.

According to its statute, the Artwoj Foundation will support activity related to cultural-educational and social-welfare conditions in the army. Undoubtedly, the goal is respectable, but when asked about the Foundation, army personnel in administrative positions evaded the question for a long time, shielding themselves with ignorance or lack of authority. It was placed somewhere between the Department of Education of the Polish Army, the Main Quartermaster, and the Department of Finances of the Ministry of National Defense.

The Nobel Foundation was based on the fortune of the inventor of dynamite, the Rockefeller Foundation was created from part of the fortune of American financial

Croesus; Artwoj began its activity with a founding capital created by contributions made by several founders in amounts of 100,000 zlotys. Between July and the end of August of this year, Artwoj made approximately 120 million zlotys in profit; by the end of the year, this will be much more.

POLSKA ZBROJNA recently published the names of the 20 members of the Foundation Council. This organ of the Polish Army included the names of persons without indicating their army rank; it is known, however, that they are mainly officers and generals (among others, Antoni Jasinski, former deputy minister and general of arms, and Generals Zdzislaw Rozicki and Stanislaw Fryn). Also on the council is Bronislaw Komorowski, civilian deputy minister of national defense, whose responsibilities include, among other things, military affairs for culture and education. The director general of the foundation is the head of the Department of Finances of the Ministry of National Defense, Colonel Tadeusz Grabowski. The council includes military lawyers, finance officers, and economists. Included are deputy directors Col. Edward Podgorski, who until recently handled economic affairs for the Central Military Sports Club, and Capt. Slawomir Reszka, a finance officer. Lt. Col. Zbigniew Kusnerek worked in the Department for Defense Matters of the Ministry of Finance and was a member of another foundation, Warsfutbol. At present some of the officers are on leave from the army while they carry out their responsibilities with the Foundation.

The chief of the Education Section of the Department of Training of the Polish Army, Lt. Col. Jozef Skrzypiec, believes that in a normal country in which the army receives money enough for its activities, a foundation would not be needed.

Cuts in the budget of the Ministry of National Defense are reflected in the conditions of the whole army, but most severely in areas that do not have a direct impact on the defense of the country. Included in these is culture in the army, and culture, as Director Podgorski said, cannot be promoted without money, big sums of money. The Foundation will finance the purchase of audiovisual equipment, books for army libraries, and furnishing the so-called over-and-above living quarters of the soldiers. It will support the amateur art movement and subsidize festivals, competitions, and rallies. Director Reszka said: "We also intend to use funds received through Artwoj to improve living conditions for the army and to maintain and conserve the natural environment."

According to the statute, the council of the Foundation acts without pay as a matter of community service. The members of the board, on the other hand, are paid according to their most recent status in the army. When the Foundation begins to make a profit, they will receive additional bonuses.

The Foundation intends to make a profit from army property that has, let us say, "available potential for

conversion." During the past year, in conjunction with reductions and restructuring, the army released some of its properties to the civilian sector. Why should the army dispose of its assets, the foundations are now asking, while it is itself poor and needs money badly. As evidence that this surrendering of property frequently was of benefit to no one, since military property is difficult to adapt to civilian use, are the examples of Olesnica and Lancut. For example, the governor of the Rzeszow Voivodship turned over to the health service the barracks of a supply battalion of the 9th Mechanized Division. But the barracks were not suitable for the health service and the town rented them to other institutions and benefitted thereby. Also, some of the former barracks property has fallen into disuse and is being vandalized.

The Foundation intends to manage profitably the inheritance from the former Main Political Directorate which is located on an elegant site in Warsaw between Krakowskie Przedmiescie and Jozef Pilsudski Square (formerly Victory Square) in a building called "the building without corners" (the anecdote is that when this building was planned, there were many overruns in construction, and an old man came and shook his finger at the planners saying that this time they will have to get along without corners, and the architect took this literally). This building now houses the Department of Education and several other military institutions. The Foundation leased the premises of the former uniform store to Sobieslaw Zasada, the well-known former rally race driver who now is in the top 10 percent of Polish businessmen (\$25 million in assets according to the weekly WPROST); he manages a car sales room there. The Foundation pays rent to the army, rumor has it that it is a high rent, and, in accordance with its statutes, it will turn over a part of the profits of the Zasada firm since it entered into a partnership with Zasada. In addition, through the Foundation, the Polish millionaire donated a video recorder and a stereo radio receiver to one of the army units.

The Foundation is presently conducting discussions with the American Express bank and travel bureau, which wants to have its offices in the "building without corners." Included in the calculations is rent for the army in the amount of approximately 450,000 zlotys per square meter and participation of the Foundation in profits of the American firm.

The bookstore, Dom Ksiazki, will have to move out of the "building without corners." The Foundation intends to operate its own book store there, named after Jozef Pilsudski; PRZEGLAD TYGODNIOWY published the details a week ago.

It is to be a calling card of Artwoj: with a stall of the Bellon Company, an art salon, a military section, a weapons shop, and medal engraving shop.

The army also owns the real estate at Zbawiciel Square the site of the two-story store Gallux, well-known in

Warsaw. SPHW [Producer Cooperative for Trade and Crafts] received notification. According to assurances of Z. Kusnierek, Artwoj proposed a most profitable rental to the army and entered into a partnership with the Dali Company of Vienna. Soon, in the former Gallux, the residents of Warsaw will be able to buy the products of Sony, Sanyo, Fisher, and Panasonic instead of fashionable pieces of clothing.

The Foundation also outbid an army hospital for a building in the area of Oczka and Koszykowa Streets in the center of the city. Most likely, it will enter into a joint venture with an enterprise from the United States that wants to establish a medical-diagnostic center there. Among other things, it would render services in the area of medical diagnosis; military personnel would pay reduced rates for these services.

Some other pieces of army property are among the interests of the Foundation: stores, parts of barracks, and manufacturing and repair enterprises. Into these, it intends to move foreign firms that guarantee high profit.

The interest of the Foundation in army airfields has caused much controversy. Basically all of the Polish airfields with concrete runways were built by the army. On the basis of an agreement between the Ministry of National Defense and the Ministry of Transportation and Navigation, civilian aviation is using some of the airfields. Director Podgorski said: "The army airfields with all their infrastructure are an enormous asset that, in our opinion, is not fully utilized. At times when army planes are not flying, the runways and equipment for land and air servicing do not actually earn their keep. We believe, therefore, that if the people making the decisions are willing, and most of all, after an adequate efficiency analysis of airfield use in the process of training pilots and maintaining a necessary defense readiness, the airfields could be used for other than military activities. Facetiously speaking, the money is lying there on the runways. We have only to reach for it."

So the plan of leasing the airfields to foreign contractors arose. Most advanced is the work on converting the Modlin airfield not far from Warsaw to civilian use.

Artwoj proposed that Modlin be given the status of an international airport of the cargo or freight transport type.

Various other foundations are interested in this matter: the Stefan Starzynski Foundation in Warsaw, the Solidarity Press Foundation, and the Gloria Victis Aeronauticus Foundation. The foundations created a partnership, Cargo-Modlin. Among the interests of Artwoj, is activating a joint-stock company investment consortium in Modlin whose shares would be distributed to professional soldiers, their families, and civilian employees of the army. It is estimated that Cargo will employ approximately 2,000 people, which would eliminate the surplus labor force resulting from elimination of many army units in the Modlin garrison.

Very attractive for foreign transport is the airfield in Biala Podlaska; it has a very good runway and modern land equipment. The heaviest transport planes could use it. An air regiment is stationed there and it also serves as a reserve military airfield; even so, it has much leeway. Its location in Biala Podlaska favors a freight transit port for the East-West line. A similar role, which Artwoj intends to exploit, might be played by the Balice airfield near Krakow. In that case, an additional favorable factor is the container base already in existence in Nowa Huta. The partnership Air Batory is to be responsible for adapting the airfield for international transport. Artwoj also intends to introduce foreign contractors onto the terrain of other military air bases, Bydgoszcz, among others.

The Foundation had consultations on its intentions with the general staff of the Polish Army and with the Air Command and Air Defense and obtained approval, with certain reservations, however. In the West, civilian planes also use military airfields (but not all of them).

The officers of the air regiments are not very ready to speak of introducing foreign partnerships onto their terrain. Knowing that generals, upper echelon army officers, deputies, senators and high-level state administrators are involved in some of the enterprises, they would rather not openly express their concerns that the rush to profit might make them intruders on their own airfields. In Artwoj, the belief is that this kind of thinking is the result of the long-term custom when the army was a closed institution and no unit leader had to think about economic activity. At present, in connection with the new regulation on lands, which results in the army having to pay local self-government taxes on the land it uses (including airfields), this will definitely be necessary.

The Foundation will carry out the role of intermediary between the army and firms and partnerships that want to take advantage of some of the army property, especially foreign firms.

From the statutes of the Foundation, it follows that profits that are made will find their way to the army.

Why then this intermediary, why doesn't the army itself enter into profitable agreements? Many army people entertain these same doubts. This engenders various assumptions and suspicions that not all the money will flow into the army coffers.

The basic hindrance is the fact that the army is a budget institution and not a legal entity; therefore it cannot enter into agreements with so-called economic entities. Since this is the case, would it not be better to authorize army units to conduct independent economic activity and in this way eliminate an intermediary that, despite the fact that joint action is spoken of in the Foundation, will reduce the profits derived from army property? However, the Artwoj people present many counterarguments that they believe to be valid. Should the leader of

a unit himself become involved in time-consuming economic activity? His main responsibilities include army personnel training and concern for the battle readiness of the unit. Officers are not, by and large, essentially prepared for economic activity of a civilian nature.

If at least some of the undertakings planned by Artwoj bring in the expected profits, then enormous amounts of money will begin to flow through the Foundation.

Let us recall that in less than a quarter [three months] of "learning to walk," the Foundation made approximately 120 million zlotys. Even if part of the profits are spent for remodeling barracks, reconstructing the social infrastructure, etc., the institutions connected with army culture and education will then become the richest units in the army. In the past, a significant part of the budget assigned to the then Main Political Directorate was used to finance mediocre artists and authors existing only due to support from the army. At present, for example, will Maciej Rayzacher, a director in the Department of Education not yield to pressure of some of his colleagues, actors threatened by pauperization, will someone not want to create new enterprises like the Kolobrzeg festival? At the moment, such statements are being denied in the "building without corners." Some upper echelon army leaders want even now to put out the fire before it starts. They would willingly assign surplus funds to modernizing one of the less modern armies in Europe or to changing the distribution of some tactical relations that are unprofitable from the point of view of a sovereign state.

Essay on Political Verification of Officer Corps

91EP0113A Warsaw PO PROSTU in Polish No 39,
8 Nov 90 p 11

[Article by author requesting anonymity: "The Army Is Waiting"]

[Text] The MSZ [Ministry of Foreign Affairs] feels that the consular personnel inherited from the PRL [Polish People's Republic] should be replaced entirely. The MSW [Ministry of Internal Affairs] has been almost entirely replaced. Only MON [Ministry of National Defense] is holding on firmly. But of what significance is the replacement of several dozen people in executive posts if, for the most part, this constitutes not the first reshuffling of the same deck of cards?

Some say point blank that in reality there is no one to nominate for the vacated posts. The very young ones cannot be appointed because certain experience is necessary and, in addition to this, those who are younger should not be in a commanding position over those who are older. In turn, civilians can occupy only very few posts in the military because of the specialized training requirement.

Therefore, the worst variant is chosen: not the same but just like the same ones. In other words, the same ones known for their Russification of the Polish Army, the

replacement of honest armament with compromised ideology about the invincibility of socialism, the sowing of hatred, and the psychosis of war with the "corrupt" West. After all, Polish generals were taught such virtues in all Soviet schools and the commanding cadre of the people's army was raised in this spirit. I do believe that exceptions to the rule have survived but these are very rare.

The changes that are being conducted currently are taking place under the deceptive banners of professional competence. It is said that one's background is not important as long as job performance is good. I do not agree with this. In military language, skill means professionalism whereas perfection in killing deprived of control is the worst thing imaginable. A professional is both a talented and patriotically disposed leader as well as a staff officer acting on behalf of foreign intelligence or a corrupt manager of a military enterprise. They are all good professionals as long as they act competently and in keeping with their set goals, each in his own capacity.

Naturally, a soldier must see in his leader someone who is deserving of complete trust. Otherwise, in a critical moment this system will fail. Therefore, professionalism cannot be separated from moral qualifications. It was argued at one time that "not a secondary school diploma but a sincere desire will make an officer out of you." At present, the reverse is true: it is not motives, intentions, or morale but questionable competence that could supersede everything. This is a dangerous road. The instances of protest and rebellion noted in 47 units with reference to cadre issues, among other things, should constitute a serious warning in this regard. The army is waiting for an honest verification of the officer corps both on a professional as well as moral level.

It follows from tentative, statistical studies that the group of enlightened people in the military decided about fighting for its new democratic and truly national countenance is very small. In active units, this does not exceed 10 percent whereas among those in command and among the military staff, it is considerably smaller. And the, at times, quoted high percentage of votes cast for the democratic government on 4 June in closed election precincts does not change a thing here because this data pertains to broad military masses and not solely to the cadre and refers to the fundamental question: Totalitarianism or pluralism?

Indeed, there is a large group of people with progressive views (approximately 50 percent) among the cadre but it maintains a passive stance awaiting the initiation of changes from the top. However, these are not forthcoming because the upper echelons have been taken over by the all-powerful system [nomenklatura] and not only by it. These people cajole the authorities officially while thinking about returning to the good old days and are doing everything to make this possible.

The conservative group assembles a considerable portion of the commanding cadre. It has numerous ties to

both the old and the new government with representations of the Soviet Army and agencies that are downright hostile to the army. It is from this group's initiative that the well-publicized restructuring was conducted resulting in the departure of several thousand talented and young people (nearly 50 percent of those discharged were 35 years old and younger) from military service. In practice, the restructuring served to lower the country's defense potential. Large numbers of equipment and armaments were withdrawn from use or destroyed and, in particular, tanks which were chopped up before their useful life was up frequently following intermediate overhaul and still in full technical working order. Military prosecutors and the NIK [Supreme Chamber of Control] could say a lot about this.

"Conservatives" have thought up three splendid resolutions with respect to cadres: the first, concerning the discharging of officers who have served too long in a given rank; the second, pertaining to the accelerated promotions of 9 May; and third, regarding the safeguarding of commanding positions. If someone had not been promoted for years, for example, because of non-membership in the party, he is now thrown overboard. However, those who were promoted on 9 May are not being thrown out—and we know who they are. A colonel holding an executive position is also not subject to dismissal despite being 55 years of age.

Here are a few examples of whether there is someone worthy of protection. The head of a large investigative agency—a full colonel holding a general's post and professor at the same time—held a kind of hooded court two years before the June revolution. He brought out, by way of his political deputy, a written indictment against a nonparty officer accusing the aforementioned of having the audacity to say: "If Evening Universities of Marxism-Leninism [WUML] will be functioning in the institute, then the time will come that instead of bread, we will have to eat these red booklets (WUML diplomas)." The accused officer was demoted whereas the accuser climbed via his back two rungs to the top.

Another example: A well-known party activist, specialist in ideological gatherings and lecturer of many years standing at the PZPR [Polish United Worker's Party] Central Committee, was appointed to the select administration of the Humanities Department of the newly created National Defense Academy. Instead of conducting lectures with students at the WAP [Military Political Academy], he travelled throughout Poland and tried to convince his audiences about the infallibility of the party. Today, he is assistant commandant of the Humanities Department. The proponent of "Dabrowszczaki" [followers of Dabrowski] and patron of the former Polish Army General Staff Academy named after Gen. Karol Swierczewski "Walter," was made second assistant. (No mention is made about his participation in the battle of Warsaw of 1920 on the Bolshevik side.) Will the National Defense Academy ever cease being political under such leadership?

And yet another example: A young and ambitious officer is sent to a political academy in the USSR. There, he does well as attested to by the conferral upon him of as many as three high Soviet honors (?). Upon his return, he is immediately given a high ranking political position and receives promotions. The new administration, apparently prompted by the suggestions of the old "lobby" offers him another prestigious promotion which he accepts. And thus, we suddenly see said communist janissary kneeling before the countenance of Our Lady of Czestochowa. When asked after his return if his knees hurt, he begins laughing cynically....

The presented negative attitudes do not, of course, apply to the entire army. This barracks communism did not succeed in breaking the strongest individuals despite severe persecution. Many officers paid with their lives for resisting. Many survived, however. Often, these are people with court sentences; discharged from service for opposing the use of military force to suppress demonstrations and the army's subordination to Soviet command. There are also numerous groups of officers in military service who had the courage to at least return their party identity cards during martial law, refuse to participate in undemocratic elections and stood in unity with the church during times when this was prohibited.

I feel that a new army should be built on the basis of a young cadre, trained in Western academies, among other things. However, this will take time. I would suggest that during the interim, we should reach out more daringly to those I have mentioned above. As a rule, these are individuals with high professional and moral standards because only such as they could not agree with the order of things at the time.

They should also be used for verification which is as necessary as confession for clearing the army's conscience. Numerous officers will turn away on their own from sitting before a commission upon learning of the proposed plan. Others, in submitting to the test, will gain an advantage for continued work in the knowledge that they have been given a green light while still others will leave.

Verification should be conducted by people who know the army and those who enjoy unimpaired moral authority—in principle, military men themselves. Representatives of the church could also sit on the commissions but not necessarily. On the other hand, I would consider necessary the participation of the officer in charge of the individual being verified as well as higher ranking superiors to be able to evaluate how they see him in the future military service. The participation of civilians would also be necessary.

Above all, deeds not words should be evaluated, as well as the results obtained thus far, the functioning improvement programs introduced into the held position, and the opinions of the community with regard to moral issues. The baggage of political training should be thrown out as useless or downright harmful if it had been

accompanied by service to the detriment of the Polish Army. Great importance ought to be placed on an officer's intelligence and leadership abilities as well as specialized qualifications: engineering, medical, economic, etc. Tests that are widely used in Western armies should also be administered.

Verification should be carried out from top to bottom all the way to the rank of regiment officers and individual units. The most important commission should be the Sejm national defense commission. As a result of its work, a new (civilian) minister of defense would be verified and then appointed. This commission could also propose the makeup of the President's National Defense Council as is the case in other Western countries. Further on, the MON commission would verify deputy ministers and those of equal rank with the commission in districts and tactical units then verifying the remaining officers.

Generals: Living Conditions, Advancement Records

91EP0137A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 44, 4 Nov 90 pp 1, 6

[Article by Miroslaw Cielecki: "The Top Rung: The Generals Were a Baker, a Militiaman, and a Physics Professor"]

[Excerpts] According to the records, as of 25 April 1990 there were 141 generals in the Polish Army. Of these, 26 were less than 50 years old, 17 in the 50-55 age group, 41 in the 56-60 age group, and 57 more than 60 years of age. The Polish army has 528 positions for generals: 22.4 percent of these positions are staffed with generals. The remainder of these positions is staffed with colonels. There is one general for every 2,200 soldiers, and the group of generals accounts for about 0.4 promille of the entire army personnel. In the armies of other countries the ratio of generals to servicemen is as follows: Belgium, 1:2,200; the United States, 1:2,000; Great Britain, 1:1,500; Denmark, 1:1,000; Italy, 1:762; Hungary, 1:769. Prior to the unification of Germany there were 2,200 soldiers for every general in the FRG and 752 in the GDR. In the Polish Army one out of every 380 officers was statistically a general. The chances for promotion to the rank of general [for officers] in the armies of various countries are as follows: Hungary, 1:123; United States, 1:180; Great Britain, 1:200; Italy, 1:60; the FRG, 1:200.

The lowest post held by generals is that of the commander of a tactical group, that is, the commander of a division or a brigade. Other posts to which generals are appointed are: chiefs of voivodship military headquarters in the main—i.e., corresponding to the former administrative division of Poland—voivodship cities; commanders of higher officer schools and military academies; and commanders and deputy commanders of military districts and armed services. The largest number of posts for generals is at the central institutions of the Ministry of National Defense. In years past many generals had been appointed to civilian institutions (the

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ministries, the NIK [Supreme Chamber of Control], the GIT (Main Territorial Inspectorate), and the PZPR Central Committee). [passage omitted]

Biographies of Generals

In 1956 the persons promoted to the rank of general included Colonel Wojciech Jaruzelski (33 years old at the time) and Stefan Orlinski. Waclaw Komar was rehabilitated and his rank of brigade general restored.

In 1957 the persons promoted to the rank of general included Col. Waclaw Czyzewski, Col. Tadeusz Pioro, Col. Tadeusz Tuczapski, and Col. Adam Uziembla [Col. Adam Uzieblo]. Grzegorz Korczynski became promoted to division general.

Between 1962 and 1967 the number of generals rose to 131 from 92. In 1972 as many as 148 generals were already serving. Their number grew steadily (to 161 in 1973, 180 in 1978, and 183 in 1981). In 1983 it reached its peak for the postwar Polish Army: 189. In 1988 there were 167 generals (two generals of the army, 14 generals of arms, 32 division generals, and 119 brigade generals).

A majority of the generals currently ending their active service commenced their military career in units of the First Polish Army formed in the USSR, and more rarely, in units of the Second. They first gained the rank of junior lieutenant at the officer school in Ryazan (e.g., Jaruzelski, Siwicki). Many graduates of that frontline cadet school underwent advanced military training after the war at military academies, and chiefly at the Academy of the General Staff. But that has not always been a prerequisite for promotion to the rank of general. Gen. Kazimierz Witaszewski, known for his primitive views—the one who wanted to defend socialism with tear gas—had a mere elementary school background, which he did not build upon, as his dossier shows. In 1943 he was promoted to officer rank in Ryazan and subsequently, in the years 1943-44, he directed a bakery. He left the bakery to serve as chief of the personnel section of the First Polish Army. In 1946 he was in the reserves. In 1952 he was remembered and made chief of the Main Political Directorate of the Polish Army, a post in which he served for as long as four years, until 1956. In 1956-59 he was Polish military attache in Czechoslovakia, and subsequently, until 1960, he served as Deputy Chief of Directorate II (Intelligence) of the General Staff.

Quite different is the biography of Gen. Sylwester Kaliski, who in the early 1970's was a candidate for the Nobel Prize in Physics. In 1949 he graduated from the Gdansk Polytechnic, in 1951 he completed a military course, and afterward he began to work at the Military Engineering Academy. In 1954 he earned his Ph.D. degree. Two years later he qualified for a university assistant-professorship. In another two years he became an assistant professor, and by 1961 he was full professor. In 1966 he was promoted to the rank of a junior general. A year later, replacing General Owczynnikov, he became commander of the Military Engineering Academy. From

1975 until his tragic death in a car accident in 1978, he was minister of science and higher education.

Grzegorz Korczynski used to be a militiaman in the years 1944-45, and later, until 1948, he served in the MBP [the former Ministry of Public Security]. In 1947 he became brigade general and in 1957, division general. He completed his higher studies at the General Staff Academy only in 1961. During 1948-49 he served as an inspector for the Land Army Command, and later he landed in jail, where he remained until 1956. In 1965 he became Chief Inspector of National Territorial Defense. In 1971 he left for a diplomatic post in Algeria, where he died under mysterious circumstances. [passage omitted]

The New Wave

On 31 December 1989 there were 145 generals in active service, including two generals of the army (W. Jaruzelski, born 1925, and F. Siwicki, born 1925) and 10 generals of arms (W. Baranski, 1925; J. Baryla, 1924; L. Janczyszyn, 1923; A. Jasinski, 1927; J. Kaminski, 1919; Cz. Kiszcak, 1925; L. Lozowicki, 1926; Z. Nowak, 1926; J. Obiedzinski, 1920; J. Skalski, 1925; T. Szacilo, 1925; Z. Tuczapski, 1922; and J. Uzycki, 1932). At present all these generals have already been discharged from their posts.

The oldest division general is Tadeusz Hupalowski, who was born in 1922 and who, despite efforts, cannot relinquish the post of chairman of the NIK. The youngest is Commander of the Silesian Military District, Div. Gen. Tadeusz Wilecki (born in 1945). Chief of the General Staff, Div. Gen. Zdzislaw Stelmaszuk is 54 years old, while his deputies Henryk Szumski and Franciszek Puchala both are 49 years old. Commander of the Pomeranian Military District, Div. Gen. Zbigniew Zalewski also is 49 years old.

The youngest general in the Polish Army is newly appointed Commander of the Warsaw Military District, Gen. Bde. Leon Komornicki, who was born in 1947 (promoted to the rank of general last May). Only a year older are the brigade generals Janusz Ornatowski (commander of the Higher Officer School of Mechanized Troops in Wroclaw) and Jerzy Slowinski (deputy chief of the Warsaw Military District). Antoni Walczak, recently commander of 12 Mechanized Division in Szczecin and now deputy commander of the Pomeranian Military District, is 46 years old. The following brigade generals were born in 1943: Boleslaw Balcerowicz (commander of 12 Mechanized Division), Zbigniew Lewandowski and Marian Robelek (directorate chiefs at the General Staff).

The biographies of contemporary young generals holding command posts are quite similar: platoon, company, battalion, regiment, division. Promotion to rank of general is easier in elite divisions (Szczecin, Stargard, Kolo-brzeg, Legionowo, Krosno Odrzanskie, Gubin, Zagan). W. Jaruzelski was promoted general while in the 12th Mechanized Division, and F. Siwicki while serving in 1st Mechanized Division. Of the 22 commanders of 8th Mechanized Division so far, only five did not become

generals. Of the 21 commanders of 1st Mechanized Division so far, 16 gained entry to the corps of generals.

Salary, Housing, Cars

A general's salary is based on a rate schedule in which the most important factors are post held, military rank, and seniority. For example, a general of arms with a service record of more than 35 years receives a [monthly] salary of 1,345,000 zlotys plus, if he is classified in the first (highest) salary group (e.g., if he is commander of a military district), an additional 2 million zlotys linked to the post he holds. A division general with a service record of more than 26 years is paid 930,000 zlotys; a brigade general with a service record of more than 23 years, 840,000 zlotys; and with a service record of more than 35 years, 970,000 zlotys. In addition, generals in, e.g., Group 4 (deputy commanders of military districts) receive salaries of 1,760,000 zlotys each, and generals in Group 10 (division commanders), 1,130,000 zlotys. In practice, last October Div. Gen. Stelmaszuk, who has a service record of more than 30 years, and who receives the salary of a district commander, was paid 2.8 million zlotys after the equalization tax (his wife is a teacher) was deducted. Chief of the Personnel Department at the Ministry of Defense, Gen. Bde. Michalik was paid 3.4 million zlotys last October, but he does not yet know how much out of that amount he will have to pay in taxes. It often happens that a colonel occupying a post designed for a general is paid a higher salary than a general with a shorter service record.

Generals are entitled to an official car as well as to extra dwelling area (equal to two additional dwelling areas for, e.g., a senior officer, a physician, a teacher, or a journalist). Generals in command positions (commanders of tactical groups, commanders and deputy commanders of military districts, section heads at central institutions [of the Ministry of National Defense]) are assigned adjutants who perform their duties on the same principles as secretaries at civilian institutions, i.e., chiefly, at the place of work and during normal hours of work. An adjutant in no way resembles the batmen assigned before the war to officers.

Many generals lack a car of their own (for example, Ornatowski, Telmaszuk, Wlodarczyk). Gen. Jarosz drives a subcompact car, Generals Poznanski, Hermaszewski, and Wozniecki drive Polonez cars, and Gen. Kusmierski has a used Fiat 125p. The generals vary in the extent to which they avail themselves of the right to use official cars; some utilize that right unscrupulously, while others separate accurately official time from leisure time. Gen. Kusmierski is a stickler on matters of using official means of transportation.

Generals Jaruzelski and Siwicki live in the Mokotow borough of Warsaw in single-family houses. Recently discharged Chief Inspector of National Territorial Defense, Gen. Jerzy Skalski lives in similar conditions. Generals Skalski and Siwicki are said to have reason to worry, because the former owners of these houses (which

formally are owned by the Ministry of National Defense) have applied for their return.

The current Minister of National Defense Vice Admiral Kolodziejczyk lives with his wife in a transient one-room apartment [in Warsaw]; his permanent residence is in Gdansk. Recently he was allotted a house on Raclawicka Street that was purchased by the Ministry of National Defense. That house will be the official residence of the ministers only during their term of office.

Chief of the General Staff, Div. Gen. Stelmaszuk lives on Przasnyska Street, on the fourth floor of a military building that lacks an elevator. His family of five (three sons, 8, 14, and 17 years old, and wife, a teacher) occupies a dwelling area of about 98 square meters. Chief Inspector of Equipment, Div. Gen. T. Kusmierski lives with his wife and children in a three-room apartment within the Goclaw Housing Project. Commander of the Air Force and Antiaircraft Defense Troops, Div. Gen. Jerzy Gotowala is at present residing at a hotel in Warsaw. In Poznan he has a three-room apartment in which his wife, a faculty member of the Agricultural Academy, and 16 years old daughter remain while waiting for housing in the nation's capital. The general is unable to specify the date of their eventual relocation. Also living in a hotel, for the last two years, are Deputy Chief of the General Staff General Szumski and, for the last few weeks, Commander of the Warsaw Military District General Komornicki. Commanding Officer of the Military Police, Gen. Bde. Jerzy Jarosz lives on the first floor of an old military building (three rooms plus kitchen, dwelling area about 60 square meters). Chief of the Personnel Department at the Ministry of National Defense, Gen. Bde. Ryszard Michalik lives in a four-room service apartment with a dwelling area of 112 square meters in a prewar building for army officers; he inhabits it together with his wife and two sons who are university students. Div. Gen. Franciszek Puchala occupies, together with his family (five persons), a three-room apartment in the building.

Chief of the Cabinet of the Minister of National Defense, Gen. Bde. Bernard Wozniecki lives in an M-4 apartment in Goclaw. The cosmonaut Gen. Bde. Miroslaw Hermaszewski (currently Deputy Commander of the Air Force and Antiaircraft Defense Troops) was allotted, immediately after landing from a space flight, upon being transferred to Warsaw, one-half of an official duplex dwelling on Raclawicka Street. He lives in it together with his in-laws—who gave up their apartment in Wroclaw—wife, and two children. Gen. Ornatowski lives in a four-room apartment in a military building in Wroclaw (wife, two growing children). Commanding Officer of the Military Engineering Academy Div. Gen. Edward Wlodarczyk lives in one-half of a duplex dwelling in Bemow. In addition to his wife, his married daughter together with her family also live there. Many generals live in old, prewar buildings in the neighborhood of Chalubinski Street and Aleje Niepodleglosci. Several live on Belwederska Street.

After returning from Moscow, Gen. Antos relinquished his service apartment in a military building and moved to a dwelling that he had purchased in Wilanow. When asked, Chief of the Secretariat of the National Defense Committee, Gen. Bde. Zenon Poznanski answered that he lives in a military-owned building in Legionow. He is having a one-family house built under the segment system through a military housing cooperative, but he intends to sell it owing to, he says, lack of funds for completing it. He has had much trouble in this connection, owing to rumors that he was using servicemen as laborers. He had been hassled by various party and ministry commissions, which disproved the accusations.

Some farsighted generals had attended to their housing problems during, chiefly, the 1970's. To this day tales are circulating about servicemen quarrying stones in Szydlowiec for two country houses for generals, building materials bought for a pittance, and artificially low invoices for construction operations. However, the effects of such activities appear insignificant in comparison with the accomplishments of many lower ranking civilian as well as military notables whose hands were watched less attentively.

Noncommissioned Officer Staffing Issues Noted

*91EP0117A Warsaw POLSKA ZBROJNA in Polish
No 21, 12 Nov 90 p 5*

[Article by Longin Szczera: "Model of Army of the 1990's"]

[Text] Assessment of the degree of implementation of tasks in 1990, the laying out of the main directions of work for the coming year, familiarization with selected problems of the new law on the course of military service of career militarymen, and familiarization with the effects thus far of the management of cadre surpluses resulting from the restructuring of the armed forces—in the most general terms, this is the subject and the central idea of the annual briefing evaluating cadre activity in the armed forces.

The briefing was conducted by Gen. Bde. Ryszard Michalik, head of the MON [Ministry of National Defense] Cadre Department.

The army is to be smaller in number ranging from 200,000 to 250,000 soldiers in keeping with the defense doctrine. Structural-organizational changes as well as restructuring, generally identified with reduction, will encompass the central echelon, military districts, and branches of the armed forces as well as many units of various levels of command. The problem of cadre surpluses will remain open and so very difficult to solve in terms of human issues. Many career militarymen who have surpassed the age limit in their held rank will have to leave military service. Such a possibility must also be expected by those who refuse to accept new offers but who are connected to service in a garrison that is frequently far removed from the current place of residence.

The long-standing declining interest in career military service, which is most keenly felt in the noncommissioned officer corps, is becoming evident. The financial situation of the corps is also well known. An officer's career, despite not having, after all, such a bad social standing, is losing its appeal.

The doctrinal and sociopolitical conditions speak for a different kind of model of the army of the 1990's in which administrative issues would be more distinctly separated from military functions.

Several important tasks call attention to themselves in the announcement of next year's direction of cadre activity. The disposition and development of the cadre belongs to these tasks. It is, above all, a question of quality improvement in the perfecting of the developed tactical ties between operational forces. This is to be brought about by the considered and effectively implemented policy of distribution of military school and college graduates; the employment of the young cadre, that finds itself on temporary lists and in collective posts, in further service; and the development of an effective recruiting campaign for career noncommissioned officer candidates. The filling of technical assistant regiment officer posts as well as unit quartermaster posts requires a careful approach in many cases. The problem remains open of the judicious employment of military academy graduates for whom, as a result of restructuring, the range of attractive positions commensurate with their qualifications has decreased.

Temporary lists as well as so-called collective posts will continue to function. What matters here is not to treat a soldier who has lost his current place of service too formally and to exhaust all possibilities of using him in the anticipated structural-organizational changes of the armed forces. For many, the retraining for other specialties needed by the military by way of courses corresponding to the profile of the completed officers training school, will also serve as an opportunity.

The training and upgrading of cadres constitutes a serious problem. Candidates for academic instructors will have to meet increasingly higher requirements. The best officers with great intellectual potential have the best chance of sitting behind professor's desks. In general, however, at least for a certain period of time, there will be fewer positions for officers with an academic education. During the process of changes and modifications, what matters, above all, is for the army—although smaller in number but better equipped—to effectively implement under the current conditions and with the available funds the tasks arising from our defense doctrine.

During the briefing, the policy of appointing and conferring honors was also assessed as well as the practice of cadre evaluation, the development of the warrant officer and career noncommissioned officer corps, the upgrading of the work style and method of cadre organs, and mobilization matters. Certificates of recognition were also given out to officers distinguishing themselves in cadre activity.

BULGARIA

Price Increases Forecast for Mid-1991

91BA0101A Sofia DUMA in Bulgarian 29 Oct 90 p 4

[Interview with Professor Ivan Angelov by Ekaterina Genova; place and date not given: "Prices Will Increase but Will Settle Toward the Middle of 1991"]

[Text] [Genova] Most economists believe that the market reform is inconceivable without free prices. What does the governmental program stipulate on this subject?

[Angelov] It does not specifically stipulate a price increase that, however, is included in the steps taken for a conversion to market price-setting. Last year only 12 percent of goods and services were sold at market prices; by the end of this year their number should reach about 60-70 percent and, at the beginning of next year, over 90 percent.

With a market price-setting system, prices will be based on agreements between producers and consumers. Even if we were to exclude all abuses on the part of monopoly producers and accept that they act as equal in contracting with consumers, objective conditions exist that make it necessary for producers to strive for higher prices. There has been a substantial increase in the cost of raw materials, materials, energy, and transportation and other services; loan interests will increase sharply; the foreign exchange rate will be increased several hundred percent; subsidies to losing and underprofitable activities will be eliminated and so will price deformations that have been occurring for a number of years, and so forth.

The conversion to market price-setting should develop in step with a drastic reduction in budget expenditures, the demonopolization of economic activities, the introduction of a uniform market foreign exchange rate and a market interest rate, free determination of wages based on agreements between employers and employees, improvements in the system for the taxation of companies and the private income of citizens, the mounting of an aggressive anti-inflationary policy, and the taking of steps to compensate low-income people.

[Genova] What was the reason for the relatively low prices of many groups of commodities maintained so far? What are the risks if we continue to support such items artificially?

[Angelov] The "cost" of low prices is a problem worth paying attention to. Under the conditions of a market economy, no one can force a producer to produce something against his own interest. Yet, for him to be interested, he must sell his goods at an acceptable price. This can also be achieved with an artificially reduced price (that is, a price benefiting the consumer alone)

provided the difference between it and the normal price is covered through budget subsidies favoring the producer.

Such a policy was pursued in our country for many years. As a result of this, the 1990 budget stipulates an appropriation of 4.4 billion leva for the direct and indirect subsidizing of consumer prices. However, these billions do not drop down from the skies but are collected essentially through taxes. This year, revenue from the tax on enterprise profit is assessed at 6.2 billion leva. This means that about 70 percent of the thus-collected tax on profits will be used to support artificially lowered sales prices, mainly of foodstuffs. If the present level of retail prices is maintained through budget subsidies, lines at the stores will become increasingly longer, the deficit will grow, and profiteering will blossom. With steadily rising purchase prices of agricultural commodities over the next year and a half, the entire revenue from the income tax paid by enterprises to the budget would be insufficient to subsidize retail prices.

In such a case, where could we find the necessary billions we need to finance health care, education, science, culture, security, and defense? Should we increase the already high taxes on enterprise profits and citizens' income? This would unquestionably mean the nation's economic suicide.

It is an old truth that, the higher the tax, the less interest one has in working. In our country, approximately 67 percent of enterprise profits are confiscated, and, for some of them, taxation reaches the 80-percent level (compared to 30-40 percent in civilized countries). Such an unbearable taxation is an economic crime for which our former rulers must be blamed. It is an equally old truth that, the lower the sales price (in this case thanks to budget subsidies), the greater becomes the tendency to consume. In our country, the price at which a large number of consumer goods and services are sold is three, four, or five times below cost.

This is a paradox: Distribution relations achieved through taxation and subsidies encourage the people to work less and consume more! Furthermore, the richer a person becomes, the more he is helped by the state because he consumes more meat, delicatessen, milk, cheese, butter, eggs, and other items that are subject to heavy budget subsidies. Can a society survive this way? Is it normal for a kg of bread to cost less than a kilogram of fodder—which forces the people to commit a crime, to encroach on this sacred product by feeding it to their cattle? It is thus that every year 400,000-500,000 tons of grain food are wasted, after which we must import grain and pay for it in convertible currency.

[Genova] What are the economic steps that will take us away from this labyrinth of trick mirrors?

[Angelov] The solution is simple and is indicated by the advanced countries: a substantial reduction in tax rates and freeing prices from any auxiliary (social, redistribution, and other) functions. In Japan and the United

States, the tax rate on profit is about 30 percent, and, in some cases, it is even lower. However, a drastic reduction in taxes is possible only with a drastic limitation in budget subsidies to losing or underprofitable production facilities and the artificial support of low retail prices.

Worldwide experience is providing yet another lesson. With lower taxes, the production of goods and services increases, their quality improves, and supply increases. Under competitive conditions this lowers sale prices.

Inevitably, reducing subsidies will initially lead to price increases of foodstuffs for one or, at most, two years. After that, in accordance with the logic of the market, prices will begin to drop, find their proper level, and become true prices. Thus, after shifting the economic layers, we shall have a low taxation of profits and income of about 30-40 percent and more goods in the stores.

[Genova] For the time being, market prices are being introduced "piecemeal," which is confusing the market even more. Will this process be continued?

[Angelov] To correct disproportions in the levels and the ratios of prices, lower the unbearable burden of subsidies to the state budget, and meet the requirements of the International Monetary Fund the World Bank and other banks to which we owe \$10 billion, the solution is to immediately undertake the market reorganization of wholesale and retail prices. This conversion may be achieved through administrative decisions to raise the prices set by the state organs, or through a drastic one-time expansion of the scope of market-governed price forming such as to reach 90-100 percent of goods and services—or else combine the two approaches. I support the combined approach because we are not ready to engage in a sharp market approach. Anti-inflationary and antimonopoly steps have not been applied, and there is no liberalization of foreign trade. We have not achieved the necessary minimum of understanding among political forces and social partners.

The first major step must be taken as of now by broadening the range of prices regulated by the market to the 60-70 percent level. This would be a painful and unpopular decision, which, unfortunately, is extremely necessary and inevitable. It can no longer be postponed. The average level of prices set by the state should as of now be increased approximately 100 or 200 percent and, in the case of free prices, set by the market.

[Genova] Prospects of such measures are triggering panic among the ordinary consumers.

[Angelov] Before this step is taken, other steps are mandatory, as follows: immediately introducing a packet of aggressive anti-inflationary measures that would limit the pressure exerted by the big monetary mass on low commodity stocks; introducing term savings deposits for the citizens paying interest higher than the inflationary level; floating a short-term state bond loan paying an equally high interest rate; selling to the citizens state stock in commercial banks that are now being managed

by the Bulgarian National Bank; selling to the citizens land in the areas assigned for use and the building of cottages; accelerating the sale of state and departmental housing to the residents; before the end of the year having a one-time progressive taxation of real estate above the stipulated amount such as housing and cottage areas exceeding 120 square meters, and so forth.

Immediately undertake the elimination of monopoly companies and other economic organizations in the areas of the purchasing, processing, and marketing of agricultural commodities, and in agriculture, trade, services, tourism, transportation, light and food industry, and the study, design, and construction and other industrial sectors.

Roughly, starting with January 1991, the state should withdraw from performing price-setting functions and retain control over the prices of no more than 10 percent of the volume of goods and services. As a result of this, as well as of the easing of the inflationary stress that took years to accumulate, we could expect at the start of 1991 another increase in the average price level, not by administrative decision but by the logic of the market.

The liberalizing of prices at the beginning of January 1991 should be preceded by an even greater expansion, in November and December of 1990, of the already enumerated anti-inflationary and antimonopoly steps and the liberalizing of imports and exports, as well as the formation of a drastically thriftier 1991 budget. Without taking such preliminary measures, the price liberalization would result exclusively in the astronomical increase of prices at the expense of the helpless consumer.

[Genova] The mention of high prices leads to the question of the fate of the poor and the socially weak.

[Angelov] Each price increase should be accompanied by a corresponding compensation to the people (particularly those with lower incomes; a compensation is contemplated to cover about 70 percent of price increases with 100 percent for low-income people). The compensation should be honest, and the people should be told the entire bitter truth, including the size of reduced real consumption. Only thus could we hope for understanding and support.

Before agreeing to assume the burden of the transition, the people have the right to know how difficult the deprivations will be, caused above all by price increases and unemployment. What will their duration be? When we can expect the initial signs of improvement? When we can feel a revival of the economy, and how it will be manifested?

[Genova] What is your answer to these unpleasant questions?

[Angelov] If the price reform is carried out in accordance with our expectations, the price increase will reach its maximum in the November 1990-June 1991 period. The

average price increase may be between 300 and 400 percent. With an active anti-inflationary policy, such price increases may abate by the middle of 1991.

However, unemployment will be increasing even further because of the required restructuring resulting from the economic reform and as a consequence of the breakdown of economic relations within CEMA and the conversion, starting 1 January 1991, to more adverse trading conditions with the USSR and the East European countries. From the expected figure of about 100,000 unemployed by the end of 1990, their number could reach 200,000-250,000 by mid-1991 and 300,000-350,000 by the end of 1991 and in 1992. This refers to net unemployment. The overall number of people released from work will be higher, but some of them will find new jobs in agriculture, in the private sector, and elsewhere.

The initial symptoms of a revival could be expected the following spring and particularly in the second half of the year, mainly in agriculture (provided that we undertake privatization and create other favorable economic conditions) and partially in the development of the private sector in other areas. More significant results will be achieved in agriculture in 1992, when we could expect the normalizing of food supplies at accessible prices. The revival of agriculture, the private sector, and the state and cooperative sectors (if officials leave them alone) will make it possible, by the end of 1992, to stop the growth of unemployment and initiate its decline. To reduce it to a normal level, however, a longer period of time will be necessary. This will also depend on the international situation.

[Genova] The Grand National Assembly, the president, and the government cannot rely on the support of the people unless they turn to them for support and describe frankly to them the type of privations that will exist.

[Angelov] Before asking the people to make sacrifices, the state authorities should set the example by drastically reducing budget expenditures in all possible areas: by financing capital investments from the budget; by subsidizing losing and underprofitable activities; by lowering administrative-managerial expenditures and expenditures for representative purposes, expenditures to support the inflated personnel in Bulgarian missions abroad, and many other.

Those who have caused the crisis should be held politically and criminally liable. This should brook no postponement. For the time being, it appears that crimes exist but that there are no criminals, or, if criminals do exist, their number is reduced to no more than a few persons who were the closest to Todor Zhivkov.

Does someone have to make us believe that the just punishment of the criminals who belong to the red *nomenklatura* would limit crimes among the newly developing blue *nomenklatura*? The behavior of the *nomenklatura* under the conditions of a lack of control

remains the same regardless of its color. Let us not forget that an unpunished crime is an invitation to commit another crime.

Austrian Official on Prospects for Trade

*91BA0109A Sofia 168 CHASA in Bulgarian
10 Oct 90 p 5*

[Interview with Mr. Hubert Astegher, trade counselor and head of the Austrian trade delegation in Sofia, by Boryana Dzhanabetska; date and place not given: "Our Black Eyes Are No Asset for Businessmen"]

[Text] On this score, Mr. Hubert Astegher, trade counselor and head of the Austrian trade delegation in Sofia, gives us some serious ideas on how to cross the bridge to the other part of Europe.

[Dzhanabetska] Mr. Astegher, recently favorable trends have been noted in Austria's economy. How do you explain this development?

[Astegher] After World War II, there was established a so-called social partnership between employers and workers. The country's economic development is to a great extent controlled by the Chamber of Commerce, which functions very well due to its efficient structure. We do not have totally unrestricted capitalism; our economic system can be characterized, rather, as a social market economy. There is an aspiration to protect the worker as far as is possible.

In the Austrian economy, the wide sector of small and medium enterprises plays a significant part, and the enterprises all are private. We have a good-sized state sector that in years past brought about a large deficit. It was comparable to a pit, down which the taxpayers' money was poured. This sector at the moment is undergoing privatization.

Nor has the process of dividing up the huge enterprises, started two years ago, come to pass in our country without scandals, bankruptcies, and other similar situations that accompany denationalization. But work in the newly created smaller firms and enterprises now proceeds on the capitalist principle—for profit. The state still granted subsidies solely during the privatization process in order to foster it.

[Dzhanabetska] Bearing in mind our country's grave economic situation, how do you regard the future of the medium and small enterprises in Bulgaria and of the private sector in general? Is there, in your opinion, a chance for contacts between Bulgarian private firms and Austrian firms?

[Astegher] Your private sector is developing in an interesting but very difficult time. Still, I think that the future affords grounds for optimism. The first step for anybody who decides to establish a private firm with its own output is to try to enter into a contract abroad and get some orders. In Bulgaria, access to materials is very

difficult but it is possible to procure them abroad. For example, textiles are imported and garments are sewn in coordination with the wishes and terms of the foreign partner.

The other alternative—namely, making a breakthrough into the Western market with one's own products—is almost unfeasible. On the one hand, you do not have at your disposal the necessary technical equipment to guarantee product quality, and, on the other, there is still lacking a flair for design and for proper product presentation. A producer who has ambitions to develop his firm must visit foreign fairs, must survey foreign production, and the first time must not even exhibit his own products. This way he will get an idea of the world market's requirements and of the competition in his sphere of production. He will find out the price range and get new stimuli and ideas. If you produce only to meet the needs and requirements of the domestic market, you risk missing out on the foreign one.

For the Bulgarian producer, there will also be additional complications; he will have to consider the countries in the present socialist camp—Czechoslovakia, Hungary, and lately Poland, as well—as his direct competitors. Some West European businessmen may give preference to these countries even if only because of their closer geographic location.

[Dzhanabetska] Talking about methods of product presentation, what are your impressions of the Plovdiv autumn fair?

[Astegher] Unfortunately, I was at the fair for a very short time and had no opportunity to visit the pavilion where the exhibits of the private firms were. Austria's participation was one of the most conspicuous at the fair, which once more confirms the traditional good trade relations between our countries.

Although it is clear to our firms that at present it is almost impossible to make deals, as I found out, they manifested a desire to maintain their presence, looking forward to future opportunities.

I don't know at present whether any Austrian firm has entered into a contract with Bulgarian private producers, but I know that there are optimum possibilities in some sectors of light industry, where first contacts have already been established—for example, in the production of clothing and furniture, in the processing of skins and pelts, and so forth.

[Dzhanabetska] If Bulgarian producers are interested in an Austrian partnership, could they utilize the services of the Chamber of Commerce?

[Astegher] They are all welcome here. I can at once make available to them a guide to Austrian firms, grouped according to line of business. If it is a matter of actually solid proposals, I can act as go-between for their publication in the specialized Austrian press.

For the favorable cultivation of contacts, however, Bulgaria must represent itself and advertise its production abroad. You can't expect anybody just like that to concentrate his interest on your country. Individual firms must have prospectuses depicting their production. I would suggest that Bulgaria establish bodies to investigate who potential investors are and to effect contacts with them. In addition to all this, it is absolutely imperative, however many difficulties there are, that new laws in the economic sphere become operative this very year in the country.

[Dzhanabetska] Mr. Astegher, between the two world wars, 30 to 40 percent of Austria's exports were directed eastward. Now hardly 8 percent are being shipped to the East. Are there prospects that this situation will change and in what direction?

[Astegher] As a rule, Austria has occupied an interesting position in the European economy. We have always been something of an intermediary, a bridge between the East and the West. There is hardly another West European country like Austria that maintains so many trade contacts with the states of Eastern Europe. I could foresee the interest growing in these countries. But there will be investments in this region only if there are the necessary guarantees and adequate legislation.

I am banking a great deal on the development of the privatized economy, although your private sector at present is not in a position to make large deals. We are counting on cooperation in the area of tourism—this is an area where, with judicious planning, projects pay for themselves in a short time.

CZECHOSLOVAKIA

Budgetary Developments in 1990 Analyzed

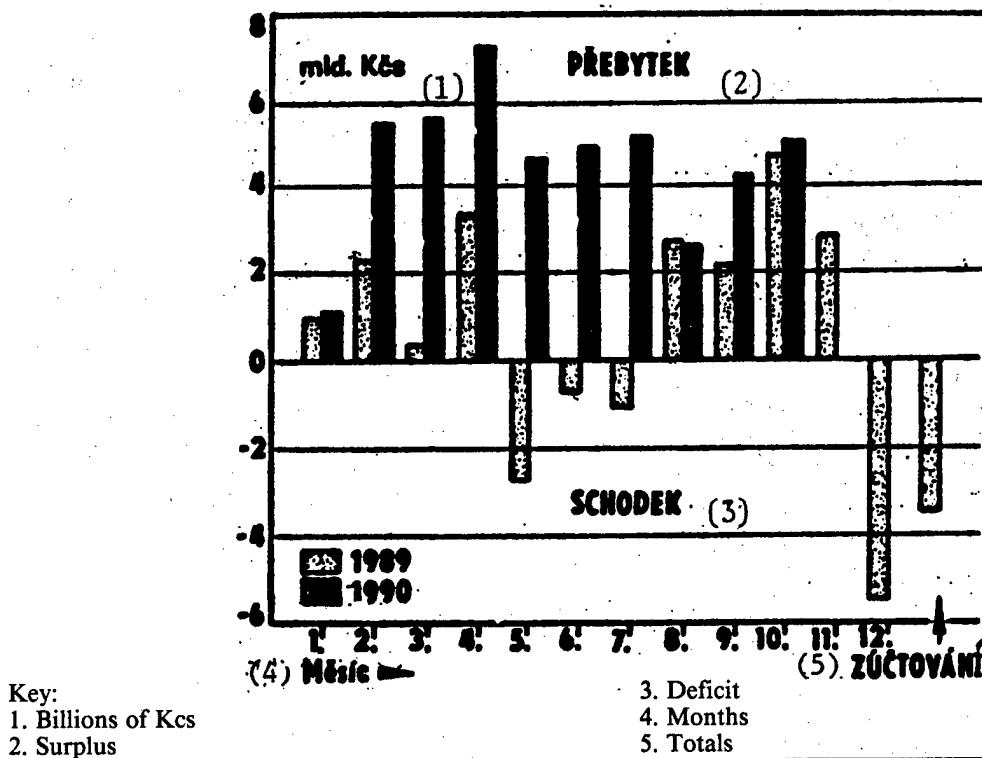
91CH0194C Prague HOSPODARSKE NOVINY (supplement) in Czech 22 Nov 90 p 3

[Article by Eng. Frantisek Maly and Eng. Vladimir Novotny, Federal Ministry of Finance: "Information on Financial Development in the CSFR in 1990"]

[Text] In 1990, the position of finance and of financial policy in our economy has undergone change. Financial policy ceased being the "servant" of the state material plan. It is aimed primarily at exerting anti-inflationary influences on demand in the economy and at the transformation of the command economy to a market economy. Over the course of the year, it was necessary to have financial policy react to actual developments in the economy and particularly to the influence of external factors on our economy.

The importance of financial analysis for the adequate utilization of the individual instruments of financial policy with the goal of realizing its intentions as set forth for this year has grown expressively.

Difference Between Revenues and Expenditures in Cumulative Totals From the Beginning of the Year
(in billions of Kcs)



Managing State Budgets

Financial policy for the year 1990 was conceived as being restrictive, anti-inflationary. This intent was reflected in the state budget which showed a surplus of 5.4 billion korunas [Kcs] in revenues over expenditures. The annual anticipated budgetary surplus was being achieved until July. However, in August it was reduced to Kcs2.6 billion and did not reach Kcs5 billion again until the end of October. The anti-inflationary actions of the state budgets during the course of this year is clear from a comparison of the development of the cash differential of last year:

Not even improved developments in September and October provided a reason to care about the budgetary results for the entire year; the risk of repeating the unbalanced development of revenues and expenditures at the end of the year persists—a risk which last year resulted in a deficit of Kcs3.5 billion. Therefore, the Federal Ministry of Finance is undertaking detailed analyses of the anticipated fulfillment of the state budget and is proposing measures aimed at attaining the originally stipulated budgetary surplus for 1990.

The main source of tension in the state budgets results from the fact that their intentions with respect to revenues are not being successfully fulfilled. This is particularly true of payments to the budget based on the results

of management by state economic organizations. The anticipated yield has not been achieved since the beginning of the year as a result of an unfavorable development affecting profits; the situation deteriorated particularly in August. Although the results for September and October show a certain improvement, for the entire year it is possible to expect revenues resulting from management to be about Kcs10 billion less than anticipated by the budget.

We expect that the overall revenues of the state budgets will be Kcs15 billion lower than the budget anticipates for 1990.

Developments in the expenditure portion of the state budgets are not unambiguous. The 4-percent reduction of subsidies to state economic organizations, which was anticipated in the budget, continues to elude us for the time being; for 10 months, they continue to be 1.6 percent higher than for the same period of last year.

The overall relationship of state economic organizations with respect to the state budgets (the balance of payments and subsidies) is not favorable, particularly in view of profit developments. The actual situation for the period June to October 1990 (Kcs104.7 billion) is actually below the level for the same period of last year (Kcs108.3 billion).

The development of subsidies for financial economic instruments in foreign trade has been more favorable, meanwhile, than was anticipated in the budget and indicates that these expenditures will be exceeded for the whole year; however, a considerable amount of uncertainty remains in this area. The budget includes a surplus of these subsidies over payments to the budget by Kcs7.7 billion; in actual fact, for the 10 months of 1990, this balance only amounts to Kcs600 million. Its further development could be adversely affected by having to pay for petroleum in hard currencies.

The growth in contributions to nonstate agricultural organizations for the 10 months of this year has, for the time being, been slower (106 percent) than the all-year growth anticipated in the budget (118 percent, including compensation for price adjustments). At the close of the year, we expect an increase in these expenditures (as a result of the influence of compensations), their overall annual volume, however, should not be higher than that listed in the budget.

Total expenditures by budgetary organizations and contributions to contributory and similar organizations show a slower pace for 10 months (110.3 percent) than was anticipated in the budget (112.5 percent). This growth is also accelerating as a result of compensations paid to the population.

A serious risk for the state budgets is the development of subsidies payable to the budgets of national committees. On an annual basis, while we anticipate that these expenditures will not be exceeded, their rapid growth (113.5 percent), however, exceeds the pace anticipated in the budget (102.6 percent) and adhering to the budget will require sizable restriction of demands at year's end.

With respect to the expenditure portion of the budget, expenditures of an investment character (investment subsidies to economic organizations, investment expenditures of budgetary and contributory organizations, and investment subsidies to the budgets of national committees) deserve special attention. During the course of the year, they have outstripped the annual pace anticipated in the state budget. Instead of the anticipated decline compared to 1989, investments are being realized at a greater volume than had been anticipated by economic policy. They are increasing demands on the investment market and indirectly even influence the demand on the consumer goods market and on the services market and, thus, have an inflationary effect. Toward the close of the year, the Federal Ministry of Finance will be exerting pressure to see to it that budgetary resources intended for investments do not exceed the sums in the approved budget.

The Enterprise Sector

For nine months of this year, the volume of production in industry and particularly in the construction industry fell below that of last year.

Compared to the same period of last year, industrial production declined by 3.7 percent. Productivity declined by 1.3 percent and the average monthly wage increased by 2.1 percent. In the construction industry, production declined by 7.6 percent in comparison with the same period of last year. The amount of work performed in capital construction is declining and is increasing in terms of work done for repair purposes. Productivity declined by 2.7 percent and the average wages increased by 2.4 percent.

After declining sharply in July, profits in centrally managed economic organizations improved. However, they continue to fall short of last year's level (for the period January to September, they were lower by 4.2 percent).

The principal reason for a decline in profits can be seen in the changed production conditions (lower petroleum deliveries, lower deliveries of iron ore, lower deliveries of some nonferrous metals), to which the enterprises are not capable of reacting adequately. Next, there is the impact resulting from the conversion of armaments production, the restricting of inefficient and uneconomical production processes, the disintegration of ties with traditional partners from the CEMA countries, etc.

The formation of profits had a decisive effect on disposable resources in the hands of centrally controlled organizations which, over a period of nine months, declined by Kcs500 million in comparison with the same period of last year (0.5 percent).

Despite the great uncertainty regarding the prognosis of economic developments, it can be anticipated that the enterprise sector will not achieve the anticipated level of profits of approximately Kcs15 billion.

Unfavorable trends in the development of inventories continued. In centrally controlled economic organizations, inventories grew by Kcs32 billion from the beginning of the year (including production inventories which grew by Kcs21 billion, sales inventories which grew by Kcs11 billion). In September, production inventories declined by Kcs8 billion, but sales inventories grew by Kcs4 billion.

In the production inventory area, the increase is primarily the result of efforts on the part of enterprises to achieve a maximum of stockpiling as a result of the anticipated devaluation of the Czechoslovak koruna and the price rises in production inputs; another cause is a decline in production and obscurity with respect to production programs. The growth in sales inventories was influenced primarily by a decline of deliveries among the countries of CEMA. However, speculative tendency cannot be overlooked, caused by enterprises holding back certain inventories in anticipation of free price formation.

At the end of September, insolvency amounted to Kcs27.8 billion (due to the influence of inventory development and a decline in disposable resources). A sharp increase of Kcs8.7 billion occurred in September.

The growth in insolvency (inability to pay) is a safety valve through which enterprises can escape bank efforts to implement restrictive policies. Two risks are inherent in this tactic, not only for the current period, but also for the out years. The first lies in the fact that restrictive policies will be ineffective. The second is connected with large-scale privatization which will result in high demands on central resources in "cleaning" the enterprise balance sheets.

Overall, it can be stated that the enterprise sector is exerting strong inflationary pressures on the economy, the cause of which is primarily the low formation of profits and the express increasing of inventories.

Incomes and Expenditures of the Population

From the standpoint of balance, extraordinary importance is ascribed to the development of nominal and disposable income of the population and the inclination which this sector shows toward consumption and toward savings.

Nominal incomes and expenditures by the population increased by 7 or 8 percent in comparison with the same period of last year. The more rapid growth of nominal expenditures continued over nominal income.

| Income and Expenditures of the Population (in billion of Kcs and percentage) | | |
|---|--------------|-------|
| | Jan-Sep 1990 | Index |
| Total nominal income | 372.4 | 107.0 |
| Wages | 218.7 | 103.4 |
| Agriculture | 23.5 | 104.2 |
| Social sources | 74.5 | 104.9 |
| Other | 55.7 | 130.5 |
| Disposable income | 329.5 | 107.6 |
| Total expenditures | 363.4 | 108.0 |
| Retail stores | 235.9 | 107.2 |
| Services | 48.3 | 105.2 |
| Other | 79.2 | 112.5 |

The dynamics of nominal incomes are primarily influenced by higher loans and payments of equalizing contributions, by the adjustment of the lowest pensions, as well as by increases in other incomes related to the development of entrepreneurship.

The overall increase in incomes is mostly accounted for by an increase in wages (Kcs7.2 billion, that is to say, 29.5 percent), even though wages are among the slowest growing component of total income.

The growth in expenditures is primarily accounted for by purchases in retail sales outlets and purchases of foreign currency by the population.

During the course of the year, real growth of retail trade revenue was slowed. A decline occurred in the third quarter.

| Item | 1990 | | |
|--|-------------|------------|------------|
| | 1st Quarter | 2d Quarter | 3d Quarter |
| Retail trade revenue, billion Kcs | 67.2 | 73.1 | 76.3 |
| Price index for comparable period of last year | 103.4 | 103.9 | 114.1 |
| Index of retail trade revenue | | | |
| In current prices | 106.7 | 106.8 | 107.1 |
| In 1990 prices | 103.2 | 102.8 | 93.9 |

The growth in demand by the population is also influenced by a decline in the inclination of the population to save. This is seen primarily with regard to the traditional forms of saving. On the other hand, new types of savings at least partially eliminate the unfavorable development in savings, as can be seen from the following table.

| Item | Savings by the Population (in billion Kcs) | |
|---|---|--------------------|
| | 1990 | 1990 Minus 1989 |
| Cash | 6.3 | 0.6 |
| Savings at savings institutions | 0.9 | - 3.1 |
| Savings in other financial institutions | 1.8 | 0.0 |
| Insurance reserves | 1.8 | - 0.6 |
| Foreign exchange accounts | 2.5 | 1.9 |
| TUZEX accounts | - 0.7 | - 0.3 |
| Obligations | 1.2 | 1.2 |
| Total savings | 13.8 | - 0.3 |
| Extent of savings, in percent | 4.2 | - 0.5 |
| Measure of thrift, in percent | 2.3 | - 0.5 |

The monitoring of employment will be constantly more important in conjunction with the realization of the economic reform. By 30 September 1990, labor exchanges had recorded 43,932 applicants for employment (of this figure, 10,062 were graduates of middle or advanced schools). In September 16,472 applicants were added (including 4,164 graduates). Of the total number 21,676 are dependent on unemployment compensation (from the beginning of the year, some Kcs88.8 million were paid out; in September alone, Kcs60.9 million).

External Sector

For eight months, foreign trade revenue has failed to reach last year's level; the pace of imports is more rapid than the pace of exports, which is reflected in the balance of trade which is, in general, negative. Developments in the payments area are particularly disturbing where payments for goods and services expressly exceeded accounts receivable, a factor which was manifested in the decline of the overall active foreign exchange position

held by Czechoslovakia. The foreign exchange position in hard currencies became negative.

The balance of trade and balance of payments is indicated by information in the following table:

| Indicator | 1989 | 1st Quarter 1990 | Jan-Aug | |
|---|-------------|------------------|-------------|-------------|
| | | | 1989 | 1990 |
| Balance of trade (in regionally convertible currencies) | + 11.8 | + 1.7 | + 8.8 | - 4.7 |
| Current payments balance (change in foreign exchange position of banks) | + 7.2 | - 14.9 | + 5.7 | - 26.9 |
| Total payments balance (change in Czechoslovak foreign exchange position) | + 8.6 | - 7.7 | 6.9 | - 23.2 |
| Status as of | 31 Dec 1989 | 30 Jun 1990 | 31 Aug 1989 | 31 Aug 1990 |
| Czechoslovak foreign exchange position | 48.7 | + 41.2 | + 46.9 | + 25.5 |

For the period January-September, the balance of trade showed an overall deficit of Kcs4.2 billion of OP [expansion unknown] (regionally convertible currencies accounted for + Kcs5 billion, nonconvertible currencies accounted for - Kcs9.1 billion).

The principal reason for a decline in the pace of foreign trade with the resulting negative balance of trade is the actual disintegration of the previously stabilized relationship with the CEMA countries. Given the inadequate expansion of exports to demanding markets, the shortfall of imports from the CEMA countries was frequently replaced by imports payable in convertible currencies. The positive effects of the devaluation with respect to the U.S. dollar were practically exhausted as early as the first quarter. The influence exerted by the balance of trade on the overall domestic balance can be evaluated as positive in the short run, since its negative factors exerted an anti-inflationary pressure. Over the long term, however, the excess of imports over exports would be reflected negatively in the balance of payments and could threaten the external balance of the economy.

In September, the overall negative portion of the current balance of payments amounts to - Kcs28.3 billion (- Kcs16.4 billion in convertible currencies, - Kcs11.9 billion in nonconvertible currencies).

The reasons for the negative character of payments relations are primarily connected with the development of accounts receivable and payments for goods and services. A change in the conduct on the part of domestic entities occurred in a tendency to accelerate payments for imports in convertible currencies in the form of cash and, on the other hand, in deferring collections in anticipation of devaluation.

The development of the balance of payments for the period under consideration is unfavorable and exerts a negative influence on our liquidity.

The Czechoslovak foreign exchange position is overall positive; however, this positive balance is rapidly declining during the course of this year. The Czechoslovak foreign exchange position in the area of convertible currencies moved to the negative side (as of 31 August, it was already - Kcs5.6 billion) and the foreign exchange position in nonconvertible currencies also deteriorated. The territorial and time structure of the foreign exchange position is getting worse and the share of low-quality invoices is high.

Gross indebtedness in terms of convertible currencies amounted to \$7.3 billion as of 31 August 1990 (Kcs113.1 billion) in comparison to the beginning of the year—which means a decline of \$600 million. However, this lowering of gross indebtedness is accompanied by a deterioration in the liquidity of the banking system.

The development of the financial economy for three-quarters of this year sends the signal that primary attention must continue to be paid by appropriate government organs to anti-inflationary and restrictive policy. The analyses indicate that the growth of the price level is not elemental, but is caused primarily by the deliberate removal of price deformations (liquidation of the negative sales tax involving foodstuffs and adjustments to the price of fares in personal transportation) and by external influences (increases in the price of gasoline, diesel fuel, and petroleum products as consequences of deliveries of petroleum from the Soviet Union). A far more demanding situation will develop in 1991 in conjunction with price liberalization, with the introduction of internal convertibility of the koruna and as a result of liberalization in foreign trade.

HUNGARY

Business Considerations Behind Western Promises

91CH0165B Budapest NEPSZABADSAG in Hungarian
9 Nov 90 p 19

[Article by Zsuzsa Regos: "Promises—With a Small Blemish"—first paragraph is NEPPSZABADSAG introduction]

[Text] In the past one or two years, Western politicians, sympathizing with the Hungarian changes of structure, have outbid each other in promising Hungary hundreds of millions of dollars' worth of credit and capital for investments. Have they lived up to these nice promises?

Dr. Bela Sandor, Chief of the Main Department of International Banking Relations of Hungary's central bank [MNB], found it important to state with regard to the so-called politician's credit, that these kinds of loans are not aids or gifts, but business credits with market interests which must be repaid within a determined span of time. Their limited use is one of their great disadvantages. Their most common purpose is to help pay for the machines and equipment imported from the given country or to form joint companies, which is tantamount to helping the companies of these countries gain a foothold in the Hungarian market. The credit granting country is helping its own exporters boost their shipments to Hungary.

It is worth remembering that we bought about one billion dollars' worth of machines and equipment last year. Almost \$400 million of that was spent through credits, and the remaining \$600 million worth of imports consisted of untraceable small-amount items.

The first offers were made by the governments of the provinces of Bavaria and Baden-Wuerttemberg. They each signed a DM250 million credit contract with the MNB last year. These offers had the disadvantage of limiting the use of this credit to forming joint companies. About 38 million Deutsche marks of this credit line have been paid to date. The reason for the low use is that there are few joint companies which want to use credit and are also acceptable to the banks.

A similar situation occurred with the \$100 million credit offered by the Finns and the \$150 million credit offered by the Swedes. These were granted for Hungarian imports of investment goods and related services, for a maximum period of 8.5 years, at an interest rate of a quarter percent above the libor (the basic interest rate for European credits) in the case of the Finns, and at the interest rate of OECD export credits (9 percent at present, calculated in dollars) in the case of the Swedes. They grant credit up to 85 percent of the imported goods' value. The MNB introduced both credit lines to the commercial banks, but their use has not yet begun.

On the other hand, the 50-million-franc (about \$10 million) agreement signed with the French is favorable indeed. Twenty million francs' worth of credit and 30 million francs' worth of grants will be available to applicants, and the interest rate for this credit will be only four percent. The interbank contract will be signed shortly, making this extraordinarily favorable credit available but, similar to the German credit, only for joint companies. It is worth mentioning that Hungary's imports from France amounted to \$210 million last year, \$20 million having been allotted for machines and investment goods.

The Italians have promised two 100-billion-lira (about \$176.6 million) credit lines. After signing the interbank agreement, this amount too, will be available for importing machines and equipment although, according to the agreement, Hungary may also use this credit for importing consumer goods from the Italian market. The Italians also offered an additional—commonly called soft, low-interest—interstate credit of 75 billion lire (about 66.2 million dollars). No details are available, for the talks have not yet been concluded.

The agreement made with the Turks on a \$50 million credit line looks favorable. Hungarian users may import investment goods, semifinished products, and consumer goods from Turkey. These credits are granted for one to five years, at interest rates that are half a percent above the libor. The interbank agreement is to be signed shortly.

Joining forces with the World Bank, Japan's prime minister has promised us assistance up to the amount of \$500 million, \$200 million of which is being slotted for financing the change of structure. We have already used \$100 million of it this year. The other \$100 million will be paid when the World Bank also pays its share of \$100 million. Talks with the Japanese about the remaining \$300 million are still in progress. In addition to the \$500 million mentioned, we have also borrowed 8 billion yen (about \$62.7 million) for the improvement of our industrial structure, and an agreement on a 5-billion-yen (about a \$39.2 million) credit line for assisting in the importation of machines and equipment is already in effect.

Regarding President Bush's \$25 million offer of last year for assisting small ventures, which was increased by Congress to \$60 million, it has been surrounded by deep silence ever since. True, a \$5 million fund has been set up in the meantime for aiding small ventures, a fund for environmental protection, and another one for manager training are also being set up, but there is little talk about these in banking circles.

Dr. Janos Bartha, Deputy Chief of the MNB's Main Department of Capital Markets, provided information on the so-called investment funds that are financed by capital stock. These investment funds, subscribed to by

foreign stockholders, are not promissory notes, but committed monies and concrete business registrations, bringing active capital that yields dividends and profits.

The first talks about the First Hungarian Investment Fund [FHIF] began two years ago. American, British, and European investors provided \$80 million. For the time being, the FHIF has been buying and selling only IBUSZ [Touring, Money Changing, Traveling, and Shipping Co. Ltd.] stocks. The Hungarian Investment Association was formed in the first quarter of this year with one million dollars. They have already invested almost \$12 million in five ventures. To what extent the invested capital of this fund will grow, will depend almost entirely on the pace of privatization. The Austro-Hungarian Fund is third chronologically, and would provide a source of \$52.5 million for qualified applicants. However, they have not found a suitable investment opportunity in Hungary to date. The Euroventures Hungary Fund was formed by the Hungarian Foreign Trade Bank and a Dutch venture capital firm with \$15 to \$20 million to finance expressly risky capital. The \$55-\$60 million capital of Hungarians abroad offered for investments, is handled by the Central European Development Association; they have placed \$9 million to date. The Benedetti Group invested more than \$11 million in production, real estate, and newspapers. The MNB is conducting talks about forming three additional funds.

According to the banking experts, what is needed for investment is trust and credit. For the time being, Hungary and vicinity are attractive to investors. We should make a better use of this time slot.

POLAND

Cooperation Agreements Signed With Valencia

*91EP0127B Warsaw RYNKI ZAGRANICZNE in Polish
8 Nov 90 p 8*

[Article by Maciej Tekielski: "Valencia Ready To Cooperate"]

[Text] During Prime Minister Mazowiecki's visit in Spain it was suggested that the Valencia region be brought closer together with Poland and that the possibility of developing economic cooperation be investigated. This suggestion took the form of an economic mission made up of the representatives of the regional government (Generalitat Valenciana) and its president, Juan Lerm, the chambers of commerce, employer and international trade fairs organizations in Valencia, and about 20 enterprises of this region representing various branches.

The guests from Valencia strongly emphasized that the purpose of their arrival was not only to search for possibilities of developing mutual trade, but also to come to our assistance in overcoming difficulties and striving to accelerate economic development. The recent experience of the province in this regard can be helpful to us.

After democracy was restored in Spain, followed by admittance to the Common Market, many measures were taken in that country to surmount the delays and economic backwardness. It is this experience that the representatives of Valencia are willing to share with us.

The program of the delegation's short visit to Poland was very intensive. Prime Minister Mazowiecki and members of the government received the representatives of the region's administration. The businessmen, on the other hand, met with their potential partners. The composition of the mission reflected the main specialties of the region, i.e., agricultural food processing and light industry (footwear, textiles, toys, furniture, and ceramic linings and the machines and equipment with which to produce them).

Two agreements were signed. The Valencia Chamber of Commerce and Industry entered into an agreement on cooperation with the National Chamber of Commerce [KIG]. We asked the president of KIG, Andrzej Arendarski, his opinion of this agreement and he said the following:

"The agreement on cooperation with KIG was concluded at the initiative of the Valencia chambers of commerce. This region developed particularly rapidly recently, an enormous part of its production is allocated for export, and small business is flourishing there. These are exactly the courses of direction which interest us, because we would like to see a similar economic development in Poland. Therefore, our cooperation will be based not only on the promotion of contacts between economic organizations, but also on the utilization of their experience. One of these proposed forms will be the training of Polish managers, which we will willingly take advantage of. The cooperation, therefore, will be multi-faceted. Knowing the serious approach that our partners are taking on this, I am very optimistic."

The second agreement was concluded between the board of the Valencia International Trade Fairs (Fiera Internacional Muestrario) and Poznan International Trade Fairs. Approximately 40 fairs and exhibits are held each year in Valencia, but most of them are smaller events in which a few dozen to 200 exhibitors take part. Only several can be called medium-size, in which 200 to 1,000 exhibitors participate. Only two draw slightly over 1,000 participants—the Hunting and Fishing Exhibit and the International Furniture Fair.

The number of [fair] visitors is not large either. True, in 1989 it increased over 35 percent, to 232,000 people, but this averages out to slightly over 5,000 people per event. But these fairs have a great potential for development. After the recent expansion of the covered exhibit area to 175,000 square meters, they have the largest fairs infrastructure in Spain.

Valencia is truly a region which has recently come to the fore. It occupies slightly under five percent of Spain's surface, has almost 20 percent of the population, and is

responsible for over 10 percent of the national production, of which 60 percent is services. Agriculture and fishing makes up seven percent, as does construction, and the remaining approximately 25 percent is industry. In addition to the traditional branches, the government recently has attempted to attract more modern branches of industry. It has created a special technological park on the outskirts of Valencia, where research institutes and centers of large foreign firms could locate their headquarters.

The relative predominance of Valencia in foreign trade is even larger. This region participates in almost 17 percent of the country's export.

A mild climate and tourist appeal have helped these economic successes. Approximately 7 million tourists visit Valencia each year. Furthermore, they have been able to attract many well-known foreign firms, such as Ford, Mayer, Thyssen, Hoechst, and Emag. Many wealthy European from the north also live there.

Despite this progress, the visitors from Valencia say that their economy is comparable to Poland's. They underscore the fact that in recent years they went through a period of great changes. The heads of local firms, mostly small and medium-size, had to change over and make an enormous effort to adapt to operations under liberalized conditions of trade after joining the Common Market. They are willing to pass on this experience to our managers, of which the first group will take part in a training program already at the beginning of next year. It appears that we can gain a great deal from this cooperation.

Trade, Technical Cooperation With Italy Outlined

91EP0132A Warsaw RYNKI ZAGRANICZNE in Polish
No 104, 13 Nov 90 p 3

[Article by Teresa Radziminska: "Polish-Italian Trade Astir"]

[Text] Let us not kid ourselves: we, with our 0.3 percent share in Italy's global trade, still remain a rather marginal economic partner of that country, like, besides, the other East European countries (with the exception of the Soviet Union and Yugoslavia). Among these we are the most important Italian customer and the second, after Hungary, supplier.

Not the Whole Truth

An objective assessment of economic interdependences requires, however, a more detailed approach. Then it turns out that Poland is a major coal supplier (about one million metric tons annually) to Italy, which lacks fossil fuels of its own. We are also offsetting to a significant extent the steadily rising shortfalls of Italian agriculture and food industry. And seen from our point of view, Italy is the principal Western customer for Polish products of agricultural origin. An important role to both countries is also played by mutual trade in chemicals, in

that domain we are partially mutually complementary. Lastly, our traditional ties with Fiat are of cardinal importance to not only our automotive industry but also other subsectors, while they undoubtedly also are significant to that Turin-based company.

Let us again consider for a moment the overall statistics, which can serve not only to assess the current status but also to make inferences and predictions. The related inferences inspire optimism. For the last three years Poland's trade with Italy has been rising at a fairly rapid rate. According to Italian statistics, during the 1987-89 period, Polish exports to that country increased by 5.2, 13, and 20.1 percent, respectively; and imports from Italy, by 9.2, 20.8 and 25.9 percent, respectively. To be sure, during the first half of this year the growth rate of our sales had declined somewhat, amounting to not more than four percent, but the value of our purchases from Italy increased by 46 percent. Already by 1989 bilateral trade had reached the unprecedented level of \$1 billion, and this year it is certain to surpass it substantially. Thus, presumably, Italy will retain its ranking as Poland's fourth largest Western trade partner.

A Dispassionate View

In speaking of Polish-Italian relations we often resort to emotional arguments. We like to recall the traditional centuries-long friendship and mutual attraction between the two nations as well as to hypothesize similarities in their nature and the ease of reaching an understanding. There is doubtless much sense to all this, but the status of economic cooperation between the two countries is determined by more realistic considerations, namely, by whether they have to something to offer each other.

Italy is not, as known, a country with the most advanced world-class technology. It is estimated that high-technology products account for barely five percent of its overall exports. To be sure, products of that kind are not being acquired by Poland on a large scale. On the other hand, as regards midlevel and low-level technologies, Italy has scored considerable accomplishments, as demonstrated by, among other things, its growing share in the world market in office equipment, agricultural machinery, industrial machinery, installations, and means of transportation.

In the opinion of the Polish commercial attache in Rome, Minister Jan Giedwida, Italy has a great deal to offer in that respect, and on competitive terms at that. Thus, the problem is chiefly for us to have the financial wherewithal for that purpose. It has been alleviated only to a small extent by the low-interest loan and credit guarantees granted us by the Italian authorities. Their aggregate value is about \$0.5 billion, which is only a drop in the bucket of our needs.

Poland on its part has nowadays relatively little to offer Italy, other than natural and agricultural raw materials. However, to Italy we are a potentially interesting partner for coproduction, owing to our well-educated and

skilled, but at the same time, cheap labor force, considerable industrial undercapacity, and still substantial consumer goods shortages in certain fields. As a direction for the expansion of Italian capital Poland could thus be ideal, provided that certain conditions are met.

During my recent visit to Rome I had the occasion to listen to the related views of interested businessmen. Their comments generally overlap with those made by entrepreneurs from other Western countries. Thus, this concerns chiefly assuring the possibility of the repatriation of profits from the capital invested in our country as well as further slashing of the red tape involved in the granting of operating licenses to foreign investors. Of the more general matters, some progress in privatization would be viewed by potential foreign investors as highly significant, as would be the surmounting of the crisis nadir by the Polish economy and the political and social stabilization of our country. Among "minor" matters, they mention the need to improve the economic infrastructure in Poland, and, in particular, to streamline the performance of the banking, telecommunications, and transportation systems.

Desire To Participate

But the Italians do not intend to sit with their hands folded and wait until the conditions for investing in Poland become indeed attractive. Approaching this matter quite pragmatically, they desire to help us create these conditions. Hence also their numerous offers of cooperation in telecommunications, computerization, automation of manufacturing processes, environmental protection, etc. Awareness of our weaknesses and of the huge scale of our needs among the Italian business circles is surprisingly high. It can be only reason for rejoicing that, instead of producing loss of interest and discouragement, this awareness has, it seems, a mobilizing effect.

Extensive interest in promoting cooperation with Poland is noticeable among—this being important—both the big private concerns and state holding companies and the small and medium enterprises constituting the "connective tissue" of the Italian economy. An already blazed trail, as it were, exists for the former, since they have established ties with our industry and trade for many years. To them our state sector still is and shall probably remain for some time the principal partner, if only in view of its production potential.

The IRI holding company, for example, has lately branched out into industrial consultancy, being desirous to help in the restructuring and streamlining of manufacturing processes. Our cooperation with that Italian giant has been extensive for many years in the Polish steel and aviation industries, and it is now being extended to our shipyard and telecommunications industries.

With another Italian state holding company, ENI, we are currently negotiating several highly important projects that include the modernization and capacity expansion

of petrochemical plants in Plock and the updating and streamlining of the zinc electrolysis process at the Boleslaw Steel Plant. ENI is also offering us its experience in environmental protection and assistance in the reduction and utilization of wastes.

Next, a private concern, Olivetti, is ready to cooperate with us in all the domains requiring computerization, inclusive of the expansion of the banking and transportation infrastructure, the establishment of consignment depots, etc.

Our relations with the Turin Fiat are good as regards a compact passenger car whose production [under Fiat license] is scheduled to begin in Poland in the second half of 1991. During the first stage we shall build 160,000 cars annually, during the second 250,00, and ultimately 360,000, of which a large part will be destined for the Italian market. Experts claim that the increases in petroleum prices will make that car more attractive to buyers, and it is moreover supposed to be very convenient for city driving.

On the other hand, as known, a rather maladroit situation has arisen as regards the relations between Fiat and the FSO [Passenger Car Factory]. According to the heads of our Office of the Commercial Attaché in Rome, the Turin concern may have been postponing its declaration on the establishment of a joint venture until the new Polish law on joint-stock companies with mixed capital is enacted. Unfortunately, further talks with Fiat will not be facilitated by the intervention of the Antimonopoly Office into the price-fixing practices of the FSO as well as by the generally poor atmosphere concerning that factory.

On considering the progress in the rapprochement between major Italian and Polish enterprises it is difficult to resist the impression that it has been rather slow and that, truth to say, the fault for this lies often with the Polish side. We demand too much and are unwilling to invest sufficient efforts in joint projects, and our decisionmaking process is protracted to well-nigh infinity. Will not we thereby discourage our Italian partners, to whom time has a very specific financial dimension?

The Lower Level

On the other hand, things are really beginning to stir so far as small and medium enterprises, chiefly private ones, are concerned, in both countries. It might seem that they are placed in a much more difficult situation than the big state enterprises established on the market; after all, they have to blaze new trails for themselves and grope, sometimes in the dark, for market niches and suitable partners. However, they have quite influential "patrons," beginning with the Italian embassy in Warsaw and the Office of the Polish Commercial Attaché in Rome, through the Italian Institute of Foreign Trade (ICE), and ending with the national and regional

chambers of commerce and economy. In the final analysis, the achievements of these companies hinge primarily on themselves, on their vigor, resourcefulness, and endurance.

According to an opinion heard in Rome, at least one-third of the 40,000 Italians who had visited Poland this year were businessmen looking for contacts and opportunities. The proportion of Italian enterprises present at the international fairs and exhibitions held in Poland is rising markedly. The same thing could be said of our participation in the fairs and exhibitions held in Italy. This is not without the blunders and mistakes ensuing from insufficient familiarity with the market or with regulations.

The marked increase in the number of the economic entities engaging in bilateral cooperation is affording an opportunity for broadening the range of the goods that can be traded, augmenting the flow of trade, and achieving greater flexibility *vis a vis* fluctuations of demand. The formation of the new, richer structure of trade is being accompanied, however, by the loss of dominant status by the traditional "monopolists," that is, by the Polish state foreign trade agencies. At times this process can be quite painful. The sales of the animal exporting company, of Anital—previously the sole exporter of calves, sheep, and horses to Italy—declined by 20 percent during the first half of this year. Owing to sharp competition among Polish producers, we have sustained substantial declines in the prices for our products on the Italian market. This could be offset by greater sales, but that cannot be done with respect to goods on which quotas apply.

Matching the Partners

The more interesting occurrences in Italy include the rise of associations and companies focusing on matching partners for economic cooperation, and above all for joint ventures. Some are nonprofit institutions but others view this as a way of doing business.

The first group certainly includes the Associazione per la Cooperazione Italo-Polacca (ACIP), or Association for Italian-Polish Cooperation, founded in the fall of last year and enjoying the patronage of influential politicians from both countries. At present it associates about 60 Italian enterprises, and its guiding spirit is Secretary General Mr. Landucci, who has been linked to Poland by business interests for the last 20 years.

The ACIP's program for 1990-91 provides for promoting the formation of 20 joint ventures a year, with Italian capital investing \$2 million on the average per venture and for employing about 400 persons per venture. In this way an influx of financial resources of the order of \$60 million to Poland could be assured and jobs for about 8,000 persons created. These assumptions turned out to be, it seems, too ambitious in the first stage of ACIP's operation, but still that association can pride itself at the operation of several joint ventures founded with its participation, including the Katowice Landeco, which

engages in the recovery of energy from wastes, a parquetry enterprise in Gorlice, and a packaging company in Upper Silesia. Several other projects are in the stage of advanced talks.

Promoting cooperation on the joint-venture principle is also one of the aims of the Camera di Commercio Italo-Polacca [Italian-Polish Chamber of Commerce], founded last April. This is an organization linked to the Italian Institute for Cooperation and Development. Its statute also provides for such activities as the dissemination of information on Polish-Italian relations, the convening of symposia and conferences, the drafting of analyses and assessment studies of the Polish economy, and promotion of mutual participation in fairs and exhibitions. The Chamber has so far been joined by 33 Italian enterprises, chiefly small and medium ones.

Despite its brief period of existence so far the Camera di Commercio can already pride itself on its accomplishments. It organized in several Italian cities seminars and conferences intended to inform Italian business about possibilities for cooperation with Poland. It has drafted, jointly with Polish experts, a large number of marketing surveys and feasibility studies upon the recommendation of interested entrepreneurs, and it also has assisted in the formation of several joint ventures. Among these, the mineral water factory in Wadowice, for example, deserves mention. Considerable possibilities for cooperation exist, in the opinion of the Secretary General Giuliano Poggi, in the food industry, where the Italians are ready to make available to us their technologies (among other things, the technology of producing less perishable milk and icecream). In addition, the Camera di Commercio is interested in wholesale trade and large retail trade stores, and it also is considering the possibility of opening in Warsaw a radio station with a radius reaching the Soviet Union (for, among other things, advertising purposes).

Companies for Companies

As a counterweight to the two abovementioned organizations, a private Polish-Italian company, Italpartner, has opened its offices in Warsaw rather than in Rome or Milan. It has been operating since September of last year and its director general is Vincenzo Wolski. It follows the principle that, above all, one has to be present "on the spot." Both parties in the company are represented exclusively by the rising generation, people between the ages of 30 and 40, who can readily find a common language and are enterprising and resourceful.

Mr. Wolski, an economics graduate of Warsaw University, is of the opinion that Poland's future hinges mainly on the modernization of its industry through the application of new technologies and up-to-date machinery along with proper management. In accordance with this concept, Italpartner has leased from Italy attractive production lines and installed them on the territory of our country. These lines are used to manufacture both fairly traditional goods (e.g., porcelain, glass, cutlery)

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and products new to our industry (e.g., disposable surgical smocks). In a couple of months they will be used to produce high-grade baked goods as well.

Another domain of Italpartner's interests is its consulting activities and promotion of joint ventures. In some joint ventures Italpartner contributes its own capital. It has already acted as a middleman in the establishment of four joint ventures, and it intends to increase that figure to 20 annually. It is important that Italpartner has access to a low-interest credit line from Efibanca, an association of 12 Italian banks, which could serve to finance major projects.

Soon, too, the parastatal company SIMEST (Societa Italiana per le Imprese Miste all'Entero) [Italian Society for Foreign Joint Ventures] called into life in Italy by a parliamentary decree of last April, will begin operating. Its purpose is to promote capital cooperation with Poland and Hungary during the first stage, and with other East European countries as well during the second. In Italy, however, as in Poland, it often takes a lot of time to implement legislation and hence there is considerable reason to fear that the 50 billion lire earmarked in the Italian budget for purchasing a 51-percent share in the founding capital of SIMEST may not be translated into reality. However, the concept itself of such a state-private company is quite interesting, and we shall revert to that subject at the next opportunity.

METRONEX To Participate in Hanover Trade Fair

91EP0122A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 9 Nov 90 p II

[Article by J.T.: "METRONEX in Hanover"]

[Text] The Hanover Trade Fair Board believes, not without reason, that Hanover can play a special role in establishing closer relations with Western and Eastern Europe, and indeed in the integration of the entire continent. After all, it occupies a place in its very center and in addition, it has the largest trade fair surface area in the world—a total of 474,000 square meters of exhibit space.

At a press conference held on 8 November, the Hanover Trade Fair Board, together with POLEXPO Foreign Fairs and Exhibits Enterprise, informed journalists about the most important office, information, and telecommunications technology fairs. These fairs, called CeBIT, have been arranged since 1985 in Hanover. This spring, 4,133 exhibitors from 41 countries took part and over 550,000 persons attended the fairs. In March 1991 (13-20 March), 4,500 enterprises are expected, including 1,700 from abroad. Poland will be represented by METRONEX. All of the innovations in the field of computer software, telecommunications, and satellite technology, will be presented in 18 exhibit halls.

The hosts believe that this exposition will be of enormous importance to the Eastern European countries

which must accomplish a revolution in this field in the next few years. It is estimated that the introduction of the latest technologies in the former GDR alone during the next three years will cost approximately 1.5 billion German marks [DM], of which DM1 billion has to be earmarked for modern systems and equipment and approximately DM450,000 for software.

Bank Privatization Procedures Outlined

91EP0122B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 9 Nov 90 p II

[Article by P.A.: "Privatization of Banks"]

[Text] The Ministry of Finance sent Bronislaw Wilk, chairman of the Sejm's Commission on Ownership Transformations, a letter in which it reported its intent to privatize the following Polish banks: PKO S.A. [Polish Security Bank [Joint Stock Company]]; PKO BP [General Savings Bank]; Bank Handlowy [Commercial Bank]; and nine commercial banks which almost two years ago were constituted from the National Bank of Poland. First they are to be converted into State Treasury companies, then sales of stock would begin. The National Bank of Poland would cooperate in this operation with the Ministry of Finance.

The intent to privatize state banks had been publicized earlier, but recently in the "Assumptions of Socioeconomic Policy for 1991," discussed in our columns recently, it was mentioned only that independent foreign firms are conducting audits and that the banks will be restructured on the basis of these audits. The basic elements of this will be a review of the credit portfolio, the capitalization of the individual banks, and the development of a new strategy of operations.

In the above-mentioned letter, the Ministry of Finance notes that speedy privatization of the banks is not possible due to one of the provisions of the Commercial Code. It states that stock, issued in return for assets in kind brought as a contribution to the company, cannot be sold until a financial report covering the company's second operating year is approved at a general meeting. It may be assumed that this requirement will not affect banks which are already stock companies.

Comprehensive Energy Conservation Program Favored

91EP0143A Warsaw GAZETA I NOWOCZESNOSC in Polish No 46, 22 Nov 90 pp 4-5

[Interview with Dr. Miroslaw Dakowski of the State Atomic Energy Agency, by Jerzy Pawlas; place and date not given: "Forever in an Energy Trap"]

[Text] [Dakowski] "We continue to regard energy issues as in the past both at home and in the Sejm as well as in the government administration," said Dr. Miroslaw Dakowski from the State Atomic Energy Agency, already well known to our readers, and one of those who insists

that we must think in different terms as well as the initiator of the concept of an Energy Conservation Agency.

[Pawlas] In 1973 and 1979, two power industry disasters shook the world but it would appear that they did not concern the PRL [Polish Peoples Republic].

[Dakowski] After all, at that time we thought in terms of ministerial responsibility. Thus, came the rise of "improvement" ideas along the line of conserving mineral wool used for insulating the big plate [wielka płyta—prefabricated wall]. Home heating belonged to the power industry and was, therefore, its concern. And so, it built new power plants because this belonged to its jurisdiction.

This way of thinking made itself known not too long ago still during the discussion on the subject of Zarnowiec [proposed nuclear power plant]. We would have gotten no more than three percent of the nation's energy production all at once from this source, whereas rational energy management would make it possible to conserve energy by 30 percent, and even as much as 50 percent, over a period of several years. What's more, scarcely half a page was devoted to energy conservation in the "Projections of Energy Policy to the Year 2010."

Meanwhile, the governments of developed countries have been enforcing efficient energy use for a long time now. As a result, since 1973, an increase in national income is being obtained with the same and at times even lower amount of energy use!

[Pawlas] In the meantime, the PRL has risen to an energy world power....

[Dakowski] In terms of per capita production, we surpass Japan and Western Europe. However, we waste a considerable portion of energy while at the same time devastating the environment.

The extent to which we are behind in energy conservation is attested to by the example whereby if a woman in a rural area wants to prepare a glass of tea for her husband, she must get the stove going thereby using wood and coal. If she were to cook with gas, this process would take much less time and would be a hundred times more convenient. Polish coal stoves theoretically have a 20 percent efficiency rating but perhaps eight percent in practice.

Our energy mammoth is already devouring its own tail. It has been calculated that subsidies for 16 mines in terms of one worker come to between 3 and 6 million zlotys per month. Thus, it would be worthwhile to shut them down and give to the people half of that amount, while using the rest for retraining the layed off miners. For each person employed at the mine, both below and above ground, approximately six tons of coal are excavated per month, although the national mined average is approximately 35 tons. This is equal to the production level of 19th century primitive surface mines in which

coal was mined by the needy for their own use [bie-daszyb]. Meanwhile, under the most difficult geological conditions in the Ruhr Valley coal basin and in British mines, more than 100 tons of coal, with the average world production reaching 240 tons.

[Pawlas] Thus, the only solution is to shut down low production and high operating mines.

[Dakowski] As in the case of energy-consuming industrial plants. The producer market and monopolies make it possible to cram all costs into product prices. The only way to put a stop to this madness is by introducing a competitive economy.

Let us add that the excessive use of production material is typical for a centrally planned economy. For example, our country's mines use more than 10 kg of steel per ton of mined coal. This metal, as a rule, remains in the ground resulting in an annual output of 2 million tons. Thus, in the future there will probably be an iron ore basin in Slask.

[Pawlas] Unfortunately, a lightning speed transition to a free market economy is not possible.

[Dakowski] However, every delay brings losses. After all, we use an average of 50 kWh of electric energy per ton of mined coal. This is horrible! In a dozen or so mines out of 70, it is necessary to use more coal (in terms of power and material) to mine it than the actual amount mined. These are paradoxes difficult to understand.

In all countries with a market economy, whether developed or underdeveloped, there is the obvious norm that the lower the national income, the lower the energy consumption. Meanwhile, the situation is just the opposite in all communist countries: the lower the national income, the more costly it becomes in terms of energy use....

It has to be repeated constantly that the energy intensiveness of the Polish economy is from three to four times greater per unit of produced national income than in free market countries. The electric energy use index per unit of income comes to 1.6 whereas in Italy, it is only 0.4.

[Pawlas] It would seem that the transition to a market economy would in itself create the miracle of a drop in energy intensiveness.

[Dakowski] This is how a considerable segment of the current industry and finance executives feels. Meanwhile, the transition to a market economy is just the first step. The market functions impulsively and, at best, shortsightedly. The second step is a long-term state energy policy. It is only then that a reduction in the economy's energy intensiveness can occur. I wish to stress that this pertains not just to industry but to the economy as a whole. This, however, requires a change in our society's mentality—starting with preschoolers and going all the way to professors.

[Pawlas] There was a time when a plea was made on television for everyone to turn off unessential light fixtures while, at the same time, the industrial sector was wasting energy as before.

[Dakowski] This was nonsense which could not have practical consequences. The point of the matter is not for things to be dark and cold but that rational management of energy resources be practiced and that waste be stopped.

Let us take a look if only at our forests. Waste wood, i.e., branches and sawdust are not utilized at all. In turn, one of the country's firms could already be mass producing fluid boilers but...there is no demand for them. Another example—compact fluorescent lamps give off a pleasant light and use four to five times less current than a light bulb.

[Pawlas] However, such lamps are more expensive than light bulbs. If power is inexpensive, it does not pay to buy them.

[Dakowski] In the United States, ecologists have entered into an alliance with power producing companies and are trying to convince consumers about the benefits of such lamps by lending them out for a very small fee. This campaign brings profits to everyone: power engineers will not have to build new power plants, fluorescent lamp manufacturers will expand production, and consumers will pay smaller bills.

I believe these are examples to follow. After all, the cost of energy will increase in our country several times in the coming years. Therefore, it is not without reason that analysts are calling for less energy consuming household appliances. Some of the undertakings do not require large capital outlays. If, for example, we increase the insulation layer in refrigerators and install a second seal in the door, we will obtain considerable energy savings. Every product should also be equipped with information about the amount of electricity consumed [by the product]. If in the West houses are built like thermoses, it is because this is worthwhile—energy consumption decreases many times over. In our country, no one teaches architects to conserve energy by, for example, the appropriate positioning of buildings and the use of glass enclosed walkways and porches that collect heat during the day and give it off at night.

[Pawlas] Perhaps the standards in force should be changed?

[Dakowski] Our standards are very wasteful, indeed, but the experiences of developed countries indicate that a change in standards must take place over a period of several years. This cannot be done quickly and there is nothing worse than introducing rules and regulations that are not observed.

[Pawlas] It follows from what you have said that virtually everyone everywhere must conserve energy. Can such an all-encompassing program be implemented?

[Dakowski] Just such a program must be introduced and as quickly as possible. None of our economic reforms will be successful if we do not include the rational use of energy.

In 1979, the entire power industry collapsed and shortly afterward, so did the administration because of a sudden, severe winter's attack.

The reduction of the economy's energy intensiveness will increase the country's energy security. What matters now is for the capital expenditures aimed at improving energy use to be treated the same, in terms of financing, as investments in the area of its [energy] production. Up to now, the former have been treated as the proverbial neglected Cinderella.

[Pawlas] I thank you for the interview.

Solidarity States Position on Unemployment

*91EP0131A Warsaw ZYCIE GOSPODARCZE
in Polish No 47, 25 Nov 90 p 4*

[Article by (I.D.): "One Million Jobless"]

[Text] Unemployment has already exceeded one million, and that is not the end of it. By the end of December it is expected to reach 1.2-1.3 million and next year, according to moderate estimates, 1.5-2 million or, according to extreme estimates presented by World Bank experts, 3.9 million. The unemployment rate (ratio of unemployment to employment in the national economy excepting private farming) would then exceed 20 percent. As of the end of last October it averaged 7.4 percent (or, in relation to the occupationally active, 5.49 percent), but it varied quite broadly in discrete voivodships: from 2.1 percent in Warsaw Voivodship to 18.7 percent in Lomza Voivodship.

"What is happening on the labor market is only the beginning," said Michal Boni, a member of the Presidium of the Solidarity National Commission and head of the Mazowsze region of Solidarity, during the Friday (November 9) talks between the government and Solidarity concerning unemployment. The Solidarity National Commission for Combatting Unemployment which he chairs had presented to the government side, headed by Minister Jacek Kuron, a long list of problems, some of which had already been discussed at a previous meeting last July. Actually, the question of unemployment is one of the topics regularly discussed between the trade unionists [Solidarity] and the government. But the trade unionists know what they want: without any demagoguery, competently and consistently, they have been presenting their point of view and the attendant proposals for resolving the problem. Many matters have been agreed upon, but some questions remain open, as well as discrepancies in views. (A report on these talks was published in RZECZPOSPOLITA, No. 264, 1990.

In the opinion [of Solidarity] the rising unemployment is a result of the current economic program as well as the

greatest menace to that program. Trimming surplus labor forces from the plants and bringing into open hidden unemployment, needed as this may be, should not imply acceptance of chronic and longterm unemployment. For then a huge mass of unemployed is formed and the cost of supporting it will markedly exceed the cost of its productive employment. In the position it took early last October, Solidarity's National Commission demanded state intervention to combat unemployment and offered its active cooperation in this respect. The unionists expect, among other things, changes in economic policy with the object of unblocking economic growth so as to promote the rise of an authentic labor market offering an opportunity rather than a threat to workers. There is a need for restructuring programs that would cause the changes on the labor market to result from reforms rather than from recession. However, reviving economic activity requires, as the paramount prerequisite, a change in the policy on wages.

"Postponing a decision on this matter resembles the bad old practice," M. Boni commented.

Hence also the apprehensions about the scale of next year's unemployment and the magnitude of the funds needed to protect the jobless. The Ministry of Labor and Social Policy estimates these funds at a minimum of 23 trillion zlotys, of which 17 trillion are to come from budget subsidies and 3.5 trillion from trade union dues. It is expected that 15 trillion zlotys will be spent on unemployment benefits (their size has increased, and so has the number of recipients). This compares with the total of 3 trillion zlotys, of which 1.8 trillion [comes] from budget subsidies, allocated to protect the jobless this year and the likelihood that unemployment benefits this year alone will total 3 trillion. Discussing this issue, Deputy Minister Ryszard Pazura, stressed accusingly, "We are dealing with a geometrical rather than arithmetical progression of expenditures." This offended Minister Kuron, "I am not multiplying this problem for you out of malice; it just is growing." The minister predicted that outside [foreign] funding will be explored. M. Boni summed up this part of the discussion by declaring that we are being menaced by a perpetuation of this year's negative trends, a makeshift alleviation of the consequences of unemployment. "The available funds will at best suffice to ensure the survival of the jobless, and once more there will be insufficient funds to combat unemployment. Generally speaking, the situation is depressing."

Hence the need, proclaimed by the commission chairman at the outset, to draft and discuss in parliament a program for combatting unemployment is all the more warranted. Such a program should contain not only a concept of a system for vocational retraining (during the first half of this year funds could be found to sponsor the vocational retraining of a total of only 0.36 percent of the unemployed), as well as a concept of public work projects. Views differ on whether these should be organized by the central or local government.

And here we arrive at the second topic of the talks between Solidarity and the government. To wit, Solidarity is declaring an active struggle against unemployment and, as it has been put, action in advance of events. The delegates courted, among other things, assistance in activating a program for "early intervention." (It would allow for the proposals contained in the assessment study prepared by representatives of the United States Labor Department.) In Torun, for example, a regional intervention taskforce consisting of representatives of all the institutions interested in the labor market is being formed. Its scope of interests extends to employees included in group layoffs. "Early intervention" will augment their chances for finding jobs (through early registration, retraining, etc.), and reduce losses.

This is at present one of the most acute problems of the labor market: during the first 10 months of this year about 10,000 workplaces have announced plans for such group layoffs of altogether about 400,000 persons. So far group layoffs have totaled approximately 150,000.

Also postulated (and, like the proposals concerning "early intervention," accepted by the government side) was the inclusion of Solidarity representatives in the capacity of observers in the work of the taskforce preparing a map of unemployment foci. This is an interministerial taskforce and the topic is being coordinated by the CUP [Central Planning Office], and the point is how to assist the most imperiled regions. On the basis of a multifactor analysis of the growth of unemployment, experts identified as particularly imperiled: first, the traditional industrial districts, Walbrzych and Lodz; second, the regions of northeastern Poland that lag behind in economic growth; and third, the "two-occupations" region of southeastern Poland.

The predicted proactivism could already be perceived in the discussion of employment of the disabled (the delegation presented an interesting program draft in this respect) and of the program for employment of school graduates. To put it in a nutshell, part of that program remains on paper and school graduates at present account for 16.4 percent (165,000 persons) of the 1,000,000 jobless.

The third and, as it turned out, controversial topic of the talks concerned the locations of the voivodship and district employment offices. The legal decisions relating to the reform of local governments result in that these offices are being placed under the jurisdiction of the general administration (contrary to what has been envisaged in the Employment Law). The operation of these offices has been made contingent not on the local employment situations but on the personnel and financial possibilities of voivodship and district administrations. To understand what this means, one would have to visit these offices and see the conditions in which they operate. What is more, it also happens that these offices are transferred to less commodious or more remote premises, because they are a lot of bother, with anxious and excitable crows besieging them from dawn on.

Solidarity supports removing employment offices from the jurisdiction of local governments and consolidating them into a special service, "Kuron Service," as they were mordantly characterized by a representative of the URM (Office of the Council of Ministers). That is because the URM is advocating the concept of "integrated administration" and does not want to listen to a different proposal. The minister of labor supported Solidarity and suggested that the URM express in writing its position and criticisms. It indeed did so.

A special [nationwide] employment service would of a certainty be formed sooner or later. For the time being, special Solidarity job placement offices are being established, because the professional ones cannot cope. The Lodz and Warsaw [Solidarity job placement] offices—

there are six of them—have been lauded. It was declared, "The Union [Solidarity], under the pressure of the rank-and-file membership, is forced to engage in activities of this kind. We expect to be financially supported."

The situation is becoming paradoxical: we are reacting more and more efficiently to the effects without treating the causes. Employment is treated as a result of economic processes rather than as their active element; and unemployment is treated not just a scourge of God but a threat to the stabilization program. As Minister Kuron put it, "The ministries resist considering economic issues from the standpoint of unemployment."

Good, it seems to me that Solidarity also is finally starting to do something about this matter.

BULGARIA

Doctors Union Chairman Calls for Private Health Care

91BA0110A Sofia 168 CHASA in Bulgarian
30 Oct 90 p 9

[Interview with Professor Ivan Kirov, chairman of the Bulgarian Medical Association, by Petko Dimitrov; place and date not given: "The Medical Association Will Keep Impostors Under Restraint"]

[Text] For the past 120 years, generations of the Kirov family have cared for the health of the Bulgarian people. Dr. Kiro Popov, Dr. Ivan Kirov's grandfather, was a student of Professor Davila's (who developed the universally known Davila Drops). He received a medical scholarship from the Romanian Prince Kuza and, at the start of the 1870's, set up practice in Karlovo. He was the first person in Bulgaria to organize a subscription system for his patients—that is, for an annual payment, he assumed the overall health care of the family. Because he was a supporter of the Apostle Levski and a member of the Karlovo Revolutionary Committee, Dr. Kiro Popov was hanged by the Turks in September 1877. He was not yet 33. His son, Dr. Dimitur Kirov, was the cofounder and long-term chairman of the Bulgarian Medical Association. He was killed in 1948. For the past 10 years, Dr. Ivan Kirov Jr. has carried out the family tradition. Professor Kirov Sr. is not only a physician with more than 50 years of medical practice and teaching and public activities, but also a colorful personality with a fine sense of humor. He is already 80 years old but continues to work with an energy that is the envy of his young colleagues.

[Dimitrov] Under what conditions does the Bulgarian physician of today work?

[Kirov] Under difficult and, occasionally, quite abnormal conditions. With few exceptions, the facilities are obsolete and inadequate and, in some areas, totally unsuitable. There is a shortage of modern equipment, instruments, medicines, and even disinfection and bandaging materials. The automatic application of the postulates of the Labor Code in medical activities also caused significant harm. Furthermore, when a physician is not sufficiently protected economically, unquestionably he will not be at his best.

[Dimitrov] Today, physicians are the best paid segment of the Bulgarian intelligentsia. Has their work changed somewhat?

[Kirov] Yes, to a certain extent. The bureaucratic mentality is difficult to surmount.... The main problems range from the training of students, the specialization of graduate students, financing, work facilities, the organization of preventive medicine, ecology, and ecological protection, to legislation and a complete change of the system.

In my view, a physician is not only the healer of an illness but also an adviser in all health matters. He must be well acquainted not only with his patient but with hereditary diseases and the mental condition, health standards, and hygiene habits of the entire family. This is possible only when the physician is close to his patients.

[Dimitrov] Is this a dream about having a family doctor!?

[Kirov] Unfortunately, the district physician cannot become a family physician for the following reasons: He cannot be employed after working hours and, as a rule, lives far from our homes, and, most important, he has not been chosen by us. It is only a physician in private practice, whom we have chosen ourselves, who could be a proper family physician.

[Dimitrov] What then? State or private health care?

[Kirov] The future is in pluralism. There must be reciprocal complementing and interpenetration, subject to common objectives and tasks, which are health education, prevention, and treatment.

[Dimitrov] Are there any ideas about the way that cooperation can be achieved between private and public health care in the areas of examination and tests, which the private physician could not provide in his office?

[Kirov] In the past, there were private specialized offices for microbiology, clinical laboratory tests, and X-rays, which performed the necessary studies. Until these can be restored, however, arrangements should be made for physicians in private practice to use the facilities of the public health care system—for pay, naturally.

[Dimitrov] How will the fees charged by private physicians be set? Will there be an identical price list for all or...?

[Kirov] Every physician will determine his own fees for examinations, consultations, tests, and so forth. Naturally, most of the fees will be set by the respective health insurance funds.

[Dimitrov] Is there no danger that, if private practice becomes a mass phenomenon, many more "miracle workers," thirsting for profit, will appear, treating everyone for everything?

[Kirov] In the past, the medical association struggled, above all, with such phenomena and, generally speaking, was successful. Today, as well, it is not impossible that unconscientious healers will appear. However, those who do not take their Hippocratic oath seriously will sooner or later be rejected by society.

[Dimitrov] Until then, a great deal of damage can be done.... Has the medical association set itself the task of controlling private practice?

[Kirov] Absolutely! We anticipate that every physician in private practice will be registered with our association

and will be monitored and controlled by its authorities and local organizations. These matters are a topic of extensive discussion and will be regulated with the law on public health, which has already been drafted and submitted to the Grand National Assembly.

[Dimitrov] What is your attitude toward folk healers?

[Kirov] Folk medicine is the basis of modern health care and medical activities. However, we must protect the people from charlatans, who not only do not treat but even allow a worsening of the condition of the sick.

[Dimitrov] Have Bulgarian physicians become familiar with the achievements of the scientific and technical revolution?

[Kirov] Many of our young colleagues are familiar with technical achievements. Unfortunately, there also are many who are unfamiliar with modern equipment and are unable to make full use of it. Today such familiarization takes place, above all, in medical school; with practicing physicians, it is achieved through specialization in well-equipped hospitals.

I hope that, with the promulgation of the law on public health, matters in health care will eventually become settled.

POLAND

Catholic Intellectual Clubs: History, Resolution
91EP0126A Warsaw GAZETA WYBORCZA in Polish
10 Nov 90 p 5

[Article by Stanislaw Latek: "Catholic Intellectual Clubs"]

[Text] The history of the Catholic Intellectual Clubs [KIK] dates back to 1956. In the wake of post-October changes, the communist authorities consented to the registration of five clubs: in Warsaw, Krakow, Poznan, Wroclaw, and Torun.

The clubs wrote into their bylaws primarily intellectual and moral work, based on church teachings, molding character, and educating the human being about his rights and responsibilities, as well as forming and disseminating religious culture. But they never avoided taking a position on important public issues. They stood in defense of the episcopate, attacked by the authorities for its message to German bishops in 1966. Two years later, "Znak" delegates defended students in the Sejm. In the 1970's, especially after Cardinal Karol Wojtyla's election as pope, club members were among those who courageously demanded democratic changes and protested against infringement of human rights in Poland. Because for many years the Catholic Intellectual Clubs were the only place—besides the church—for free discussion on philosophical, social, and political topics.

Many of Lech Walesa's advisors were recruited from the clubs during and after the strike in the Gdansk shipyard in 1980.

In years 1980 and 1981, the number of clubs exceeded 40. On 13 December nearly all were dissolved or suspended.

The next significant development in the club movement occurred in recent years. The KIKs or their local divisions already exist in over 100 towns in Poland, as well as in Berlin, Paris, and Moscow. Together they unite about 25,000 people.

The clubs participated in elections to parliament and self-government organs. Through their members on citizens committees they helped conduct the elections and, at the same time, gave up their best members to public service.

The clubs' activity in the field of politics must be broadly understood as a position of selfless service in public affairs, not as achieving power. The clubs are not attempting to fill any sorts of positions with "their own people," but they are not against their members, who have proper qualifications and are supported by broader circles, holding positions in which they can serve society.

It is a fact that both in parliament and in the government, as well as lower levels of authority, there are numerous KIK members. Among KIK members in Warsaw are Tadeusz Mazowiecki, Jacek Ambroziak, Jerzy Regulski, Krzysztof Kozlowski, Andrzej Stelma-chowski, Andrzej Wielowieyski, Henryk Wujec, Wojciech Sawicki, Maria Stolzman, and Stanislaw Stomma. Among those belonging to KIK are the voivodes of Katowice (Wojciech Czech) and Czestochowa (Jerzy Gula), the presidents of Warsaw (Stanislaw Wyganowski), Lublin (Slawomir Janicki), and Krakow (Jacek Wozniakowski). About 40 members of parliament acknowledge club membership.

The communist authorities hindered the clubs' mutual contacts. It was only a year ago that the Catholic Clubs' League came into being—an informal structure coordinating joint activity, particularly evangelical and formative work. The chairman of the league's board is Stanislaw Grabska; the secretary [is] Stanislaw Latek.

Recent months and weeks have placed new challenges before the clubs. The league's board recently considered the direction of the KIKs' work and this was also discussed at a meeting of KIK presidents on 22 and 23 September in Markowice near Inowroclaw. In analyzing the current sociopolitical situation and the state of religious and ethical consciousness, those at the meeting judged society in general, themselves, and our religious feeling severely.

Here are some examples of typical statements. We are immature and irresponsible. We are unable to think with precision, express ourselves, or verbalize our needs. We

are marked by immoderation in our demands, by unjustified yet vocal criticism of authority. We generally attribute bad traits to people of different opinions and negate their good intentions. Bolshevism is still rooted in us; we impose our view of political affairs on others.

Our political culture is not high. Fighting with unfair methods, showering abuse, long-windedness, envy, concentrating on judging others, not ourselves, obstinacy, herd activity, inability to concentrate on important issues—this is just a partial list of our faults.

And further: Treatment of the church as an instrument, unfamiliarity with Catholic social ethics, a lack of connection between political awareness and the Christian philosophy of life.

An attempt was made to define the clubs' current tasks. It was acknowledged that the clubs' fundamental task remains intellectual, moral, and spiritual formation. This activity is to be carried out both in the clubs themselves and outside them. The clubs should join in parish work more intensively, offering help and cooperation.

In the area of public activity, the clubs decided not to become directly involved in supporting specific political groups, but rather to work on forming a political ethic and culture so that all differences of opinion on public issues could be articulated in an appropriate climate.

Among the most urgent tasks was additional education in the fields of sociology, political doctrines, social psychology—knowledge untainted by ideology. The need for good orientation in current political problems, in the political programs of various groups, was discussed. In the clubs, it is necessary to organize discussion on those programs—precisely different programs. The KIKs should be meeting places for various political options, places where one can talk without invective.

As a result of the discussion, the KIK presidents adopted a resolution that expresses the opinion of the great majority of those attending:

"The principle is accepted that in the country's present situation, in the period of building Polish democracy, the members of the clubs and club leaders may participate in various political groups in their own names, but without involving or using the club to support such groups. On the other hand, club members may not become involved in political movements whose platform and activity are contrary to the values of Christian ethics." (The foregoing position binds only those clubs whose boards support the quoted resolution.) It is worth noting here that the board of the KIK in Warsaw has offered several rooms as an election office for Tadeusz Mazowiecki. Tadeusz Mazowiecki was one of the KIK's founders and for many terms a member of the leadership of that club. The board therefore felt it completely natural to offer help to its colleague. Even before the board's decision,

many members of the club supported with their signatures the announcement of Tadeusz Mazowiecki's candidacy for president. But the board's decision does not mean that the club in Warsaw violated the cited resolution. The club remains a politically pluralistic association, and its members have an inalienable right to vote for the candidate who, in their opinion, will be the best president.

In Markowice, the clubs' complete joining in the work of preparation for the Second Plenary Synod was seen as an exceptionally important matter. One cannot fail to take advantage of this opportunity. Encouraged by the pri-mate, club members have already begun analysis of 15 synod documents.

The clubs are also involved in many other issues: ecology, the educational system, and educational activity. They are expanding their economic activity and have extensive foreign contacts.

The clubs' active joining in the important and much needed process of evangelization embodied in the synod, carrying the great debate over our understanding of the church at the level of the parishes and small parish communities, is a task as well as an opportunity to revitalize club work. Responsibility for the church, the profound experiencing of the dictates of the Gospel, coming to know the social teachings of the church also have a direct bearing on public life.

A Christian who treats his faith seriously is a person active in social, economic and political life, a person who knows how to guide himself with ethical principles in his actions, respecting the individual nature and rights of others. The clubs want to be an environment that molds just such people.

KIKs are found in the following cities: Bialystok, Bielsko-Biala, Bydgoszcz, Bytom, Chrzanow, Cieszyn, Czestochowa, Dzierzonow, Elblag, Gdansk, Gdynia, Glogow, Gliwice, Gniezno, Goleniow, Gorzow Wielkopolski, Grudziadz, Inowroclaw, Jaslo, Jastrzebie, Jelenia Gora, Kalisz, Katowice, Kedzierzyn, Kety, Kielce, Kluczbork, Kladzki, Kolobrzeg, Konin, Koszalin, Koscian, Krakow, Krapkowice, Kroso, Ladek-Zdroj, Leski, Lubaczow, Luban, Lublin, Lomza, Lowicz, Lodz, Lukow, Mielec, Milicz, Myslenice, Nowa Ruda, Nowy Sacz, Nowy Targ, Nysa, Olesno, Olesnica, Olkusz, Olsztyn, Opole, Ostrowiec Swietokrzyski, Ostrow Wielkopolski, Oswiecim, Paslek, Pila, Plock, Police, Poznan, Przemysl, Pulawy, Pultusk, Pustkow, Raciborz, Radom, Ruda Slaska, Rybnik, Rzeszow, Sanok, Siedlce, Skarzysko-Kamienna, Skerniewice, Slupsk, Sokolow Podlaski, Sochaczew, Sosnowiec, Stargard Szczecinski, Strzelin, Strzelno, Wroclaw, Zabrze, Zakopane, Zambrów, Zamosc, Zdunska Wola, Zielona Gora, Zlotow, and Zywiec.

This list is not completely reliable since many clubs have local sections (divisions). For example, local sections of the Warsaw KIK exist in Karczew, Pokowa Lesna, Pruszkow (two sections), Radzminia, and Zalesie.

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